



Voit
Real Estate Services

Retail Market Report

Compared to last quarter:

Vacancy



UP

Net Absorption



DOWN

Lease Rates



DOWN

Transactions



DOWN

Retail Market Highlights

- ◆ **Market Challenges** - The San Diego County Retail market is facing challenges as the national recession continues. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between “ask” and “bid” pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in Southern California in the past two quarters. Another challenge the Retail market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Absorption** - Net absorption for the county posted a negative 255,531 square feet for the third quarter of 2009, giving the Retail market a total of 1.6 million square feet of negative absorption for the year so far. This negative absorption can be attributed to the recent job losses.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 743,462 square feet, which is a slight increase over last quarter when 723,700 square feet leased. The average amount of leasing per quarter over the past nine quarters was 620,000 square feet. Sales activity showed a decrease over last quarter, posting 923,370 square feet of activity compared to the second quarter’s 2 million square feet.
- ◆ **Construction** - Currently there is 565,695 square feet of Retail construction underway, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed in this infill market.
- ◆ **Unemployment** - The unemployment rate in San Diego County was 10.4% in August 2009, unchanged from a revised 10.4% in July 2009, and above the year ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 12.1% for California and 9.6% for the nation during the same period.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 5.13%, constituting an increase over last year’s third quarter rate of 4.67%. The lowest vacancy rates in the county can be found in the North County and Central Suburban markets coming in at 4.14% and 4.39% respectively.
- ◆ **Employment** - According to the State of California Employment Development Department, San Diego County lost 55,600 payroll jobs over the last twelve months - 12,500 in professional and business services and 12,300 in retail trade, transportation & utilities services. However, government added 1,400 new jobs. Between July 2009 and August 2009 San Diego County only lost 1,400 jobs.
- ◆ **Availability** - Direct/sublease space being marketed was 6.4% this quarter, up from the 4.67% we saw this same quarter last year. This is an increase of 37% of new space being marketed when compared to the same quarter last year.
- ◆ **Overall** - Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in leasing activity as 2009 comes to an end from pent up demand, once financial markets correct themselves and as consumer confidence continues to increase.
- ◆ **Lease Rates** - The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.99, which is a 6.13% decrease over last year’s rate of \$2.12 and six cents lower than the same quarter last year. The record high rate of \$2.12 was established in the third quarter of 2008.

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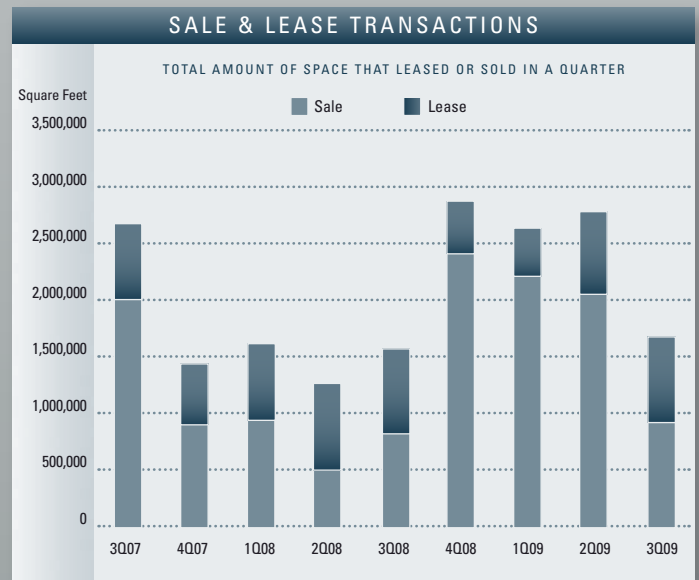
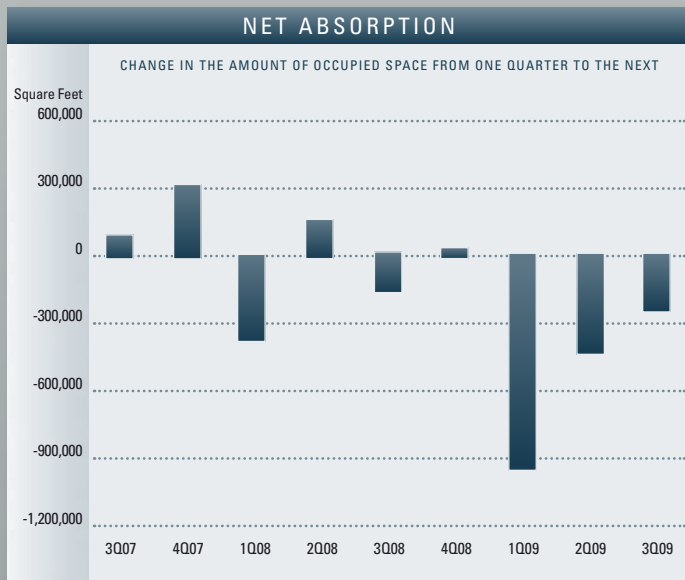
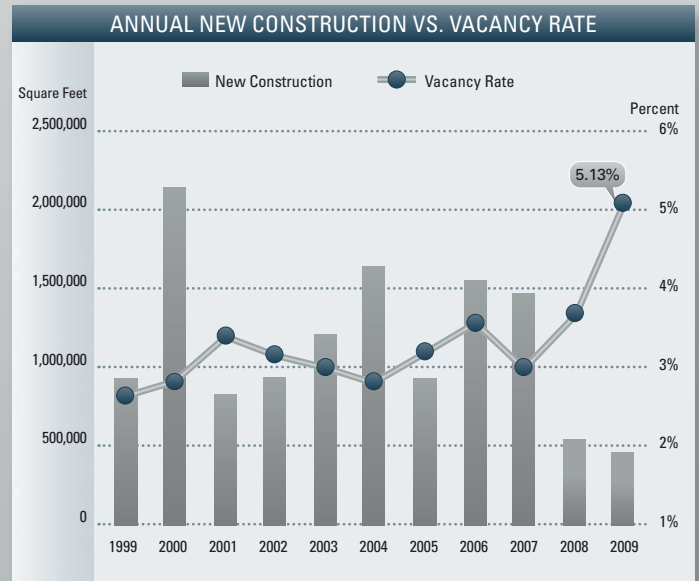
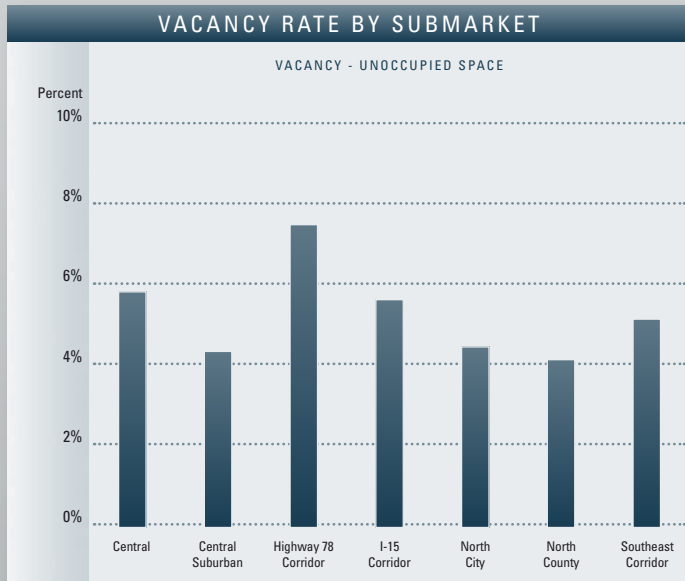
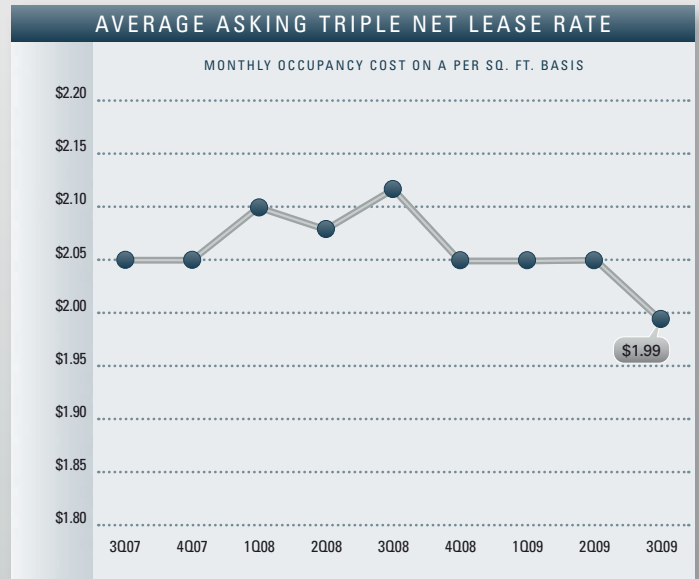
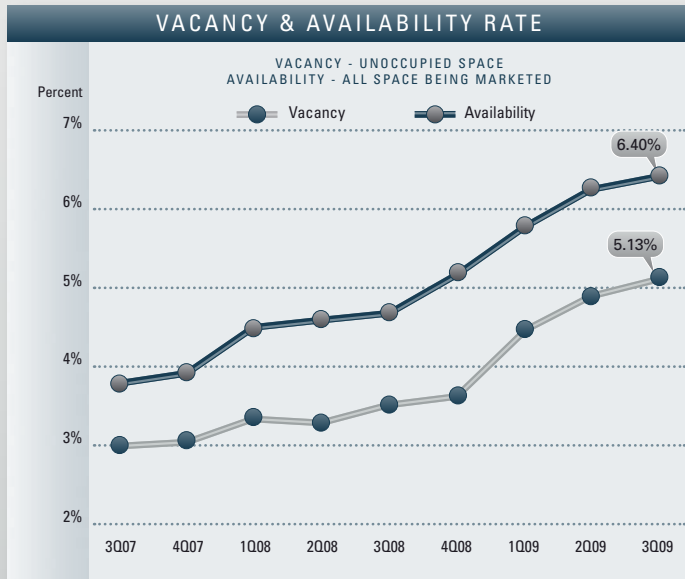
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RETAIL MARKET OVERVIEW

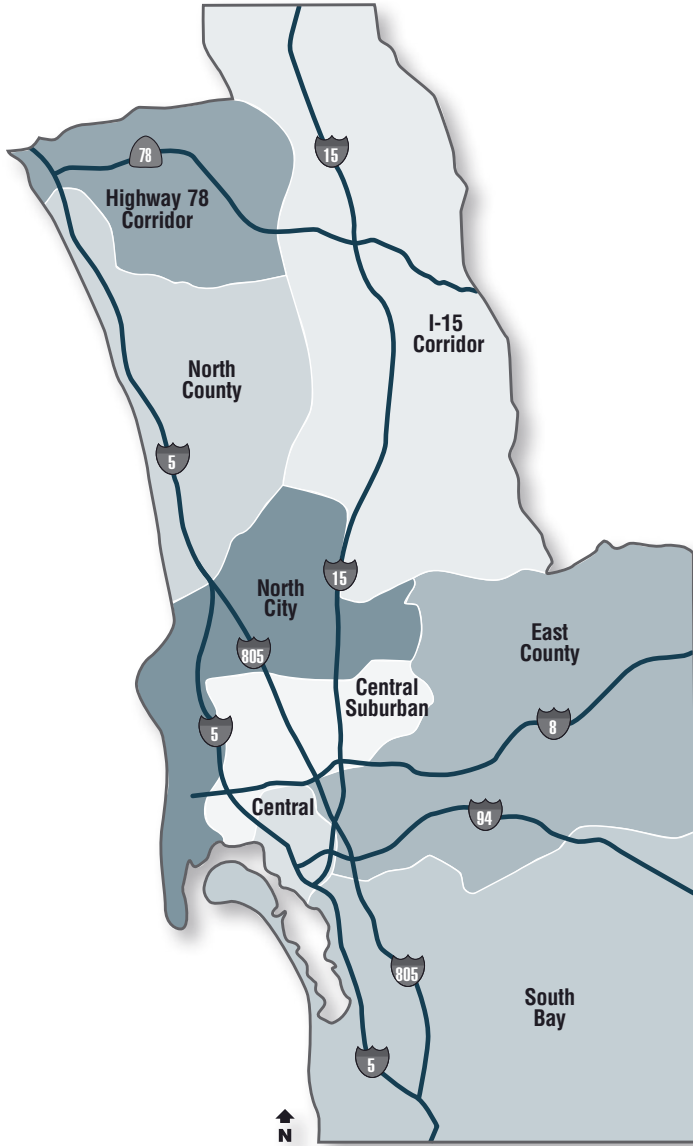
	3Q2009	2Q2009	3Q2008	% CHANGE VS. 3Q08
Under Construction	565,695	338,230	418,045	35.32%
Vacancy	5.13%	4.91%	3.52%	45.74%
Availability	6.40%	6.21%	4.67%	37.04%
Average Asking Lease Rate	\$1.99	\$2.05	\$2.12	-6.13%
Sale & Lease Transactions	1,666,832	2,765,834	1,573,955	5.90%
Gross Absorption	1,060,448	1,216,755	1,013,171	4.67%
Net Absorption	-255,531	-433,769	-198,301	N/A

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	INVENTORY				VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2009	Total Availability 3Q2009	Average Asking Lease Rate	Net Absorption 3Q2009	Net Absorption 2009	Gross Absorption 3Q2009	Gross Absorption 2009
Central												
Downtown	493	7,317,007	286,887	12,000	423,503	5.79%	565,953	\$2.85	8,526	13,730	60,817	301,291
Central Total	493	7,317,007	286,887	12,000	423,503	5.79%	565,953	\$2.85	8,526	13,730	60,817	301,291
Central Suburban												
City Heights/University	1,338	7,771,542	86,053	47,419	407,750	5.25%	531,970	\$1.58	(35,001)	(75,404)	53,460	192,371
Kearny Mesa	283	5,048,142	5,905	0	161,595	3.20%	323,274	\$1.91	(3,975)	(6,891)	58,611	99,264
Mission Gorge	275	4,270,095	0	0	154,101	3.61%	169,332	\$1.79	(19,348)	(65,630)	21,064	51,906
Mission Valley	111	5,506,244	0	0	76,203	1.38%	97,758	\$2.36	4,350	(14,386)	18,083	37,468
Old Town	108	500,508	0	0	8,231	1.64%	11,981	\$2.63	6,342	(839)	6,842	11,342
Point Loma	443	3,963,826	0	42,755	363,440	9.17%	413,055	\$2.03	24,651	(72,829)	43,961	137,458
Rose Canyon/Morena	601	5,342,973	0	76,110	248,004	4.64%	301,042	\$2.14	(28,381)	(80,814)	32,279	119,862
Uptown/Hillcrest	252	1,779,080	0	18,300	80,262	4.51%	83,912	\$2.38	(5,444)	7,800	18,003	52,294
Central Suburban Total	3,411	34,182,410	91,958	184,584	1,499,586	4.39%	1,932,324	\$1.92	(56,806)	(308,993)	252,303	701,965
Highway 78 Corridor												
Oceanside	610	6,452,351	31,112	116,100	473,033	7.33%	575,132	\$1.81	21,674	(52,700)	46,519	170,390
San Marcos/Vista	910	11,025,410	20,700	248,134	834,384	7.57%	1,020,842	\$1.93	(57,836)	(221,833)	117,034	349,821
Highway 78 Corridor Total	1,520	17,477,761	51,812	364,234	1,307,417	7.48%	1,595,974	\$1.88	(36,162)	(274,533)	163,553	520,211
I-15 Corridor												
Escondido	709	9,496,211	9,254	39,100	609,958	6.42%	772,004	\$1.78	(69,047)	(121,078)	66,815	157,024
Rancho Bernardo/Poway	443	7,552,917	0	29,326	318,004	4.21%	356,268	\$2.46	(35,362)	(84,544)	30,090	135,070
Scripps Ranch	47	798,227	0	6,400	40,405	5.06%	40,741	\$2.35	(198)	(14,182)	3,831	13,329
I-15 Corridor Total	1,199	17,847,355	9,254	74,826	968,367	5.43%	1,169,013	\$2.04	(104,607)	(219,804)	100,736	305,423
North City												
Del Mar Heights	49	824,089	0	0	10,914	1.32%	14,326	\$3.50	0	0	0	4,294
Governor Park	9	183,912	0	0	3,715	2.02%	3,715	\$0.00	(2,915)	(2,115)	0	800
La Jolla	219	1,481,899	0	0	130,634	8.82%	158,797	\$4.68	(19,954)	(88,100)	30,650	40,260
Miramar	197	3,880,614	0	0	195,944	5.05%	290,245	\$1.64	(843)	(1,570)	44,240	118,794
Sorrento Mesa	33	675,118	0	0	11,833	1.75%	18,345	\$0.00	298	12,351	974	17,152
Torrey Pines/Sorrento Valley	4	26,987	0	0	795	2.95%	795	\$1.25	0	0	0	0
UTC Center	74	2,811,046	0	0	81,491	2.90%	84,778	\$2.58	(6,362)	(4,320)	4,270	49,800
North City Total	585	9,883,665	0	0	435,326	4.40%	571,001	\$2.86	(29,776)	(83,754)	80,134	231,100
North County												
Carlsbad	329	5,182,737	41,995	40,000	198,349	3.83%	262,768	\$2.28	(48,018)	24,457	15,769	179,668
North Beach Cities	651	9,316,451	45,844	69,323	402,199	4.32%	477,986	\$2.28	8,930	(207,581)	51,492	231,981
North County Total	980	14,499,188	87,839	109,323	600,548	4.14%	740,754	\$2.28	(39,088)	(183,124)	67,261	411,649
South/Southeast Corridor												
East County	1,803	17,652,719	0	66,590	907,430	5.14%	1,182,298	\$1.64	(48,125)	(224,654)	126,188	350,128
South San Diego	1,839	20,405,581	37,945	709,602	1,000,769	4.90%	1,162,023	\$1.73	50,507	(354,076)	209,456	445,108
South/Southeast Corridor Total	3,642	38,058,300	37,945	776,192	1,908,199	5.01%	2,344,321	\$1.70	2,382	(578,730)	335,644	795,236
San Diego County Total	11,830	139,265,686	565,695	1,521,159	7,142,946	5.13%	8,919,340	\$1.99	(255,531)	(1,635,208)	1,060,448	3,266,875

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

For further information, please contact:

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