

RETAIL MARKET REPORT

FOURTH
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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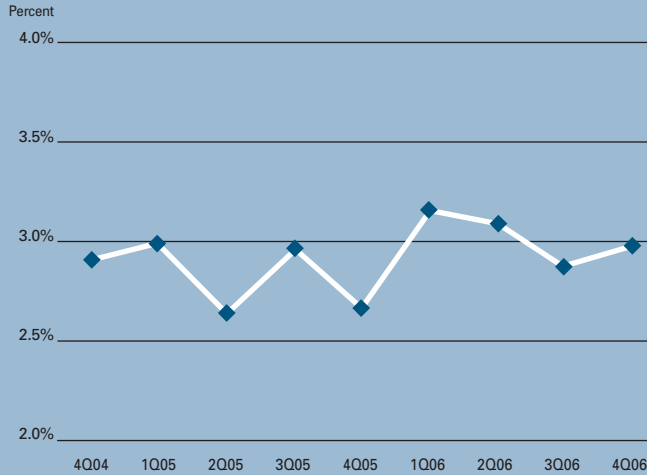
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2006 in San Diego County is 3.9%, which is 0.2% lower than it was when compared to the third quarter of 2006, and is 0.2% lower than it was at the end of last year.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2006, and they are forecasting 19,500 new jobs in 2007. They are also forecasting a 6.0% increase in total personal income for 2006.
- ◆ Currently there is 731,445 square feet of Retail construction underway, and total construction is lower than the 1,865,913 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 1,322,766 square feet of Retail space on the slate as being planned compared to last years figure of 3,897,547.
- ◆ The Retail vacancy rate is at a low 2.98%, which is up from the 2.71% rate we saw during the fourth quarter of 2005.
- ◆ The average asking Triple Net lease rate checked in at \$2.13 a square foot per month this quarter. This is higher than last quarter and 18.33% higher than what was reported in the fourth 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 379,504 square feet for the fourth quarter of 2006, giving the San Diego Retail Market a total of over 6 million square feet of positive absorption for the last 18 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 2007.

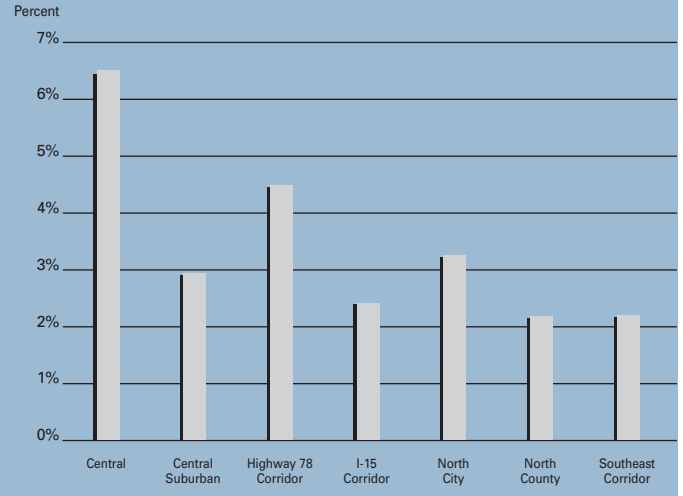
RETAIL MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	209,841	818,114	1,476,118	-74.35%
Under Construction	731,445	1,865,913	475,644	-60.80%
Vacancy	2.98%	2.71%	2.93%	9.96%
Availability	3.80%	3.41%	3.79%	11.44%
Pricing	\$2.13	\$1.80	\$1.70	18.33%
Net Absorption	823,488	818,070	1,856,460	0.66%
Gross Activity	3,493,880	2,994,071	4,115,157	16.69%

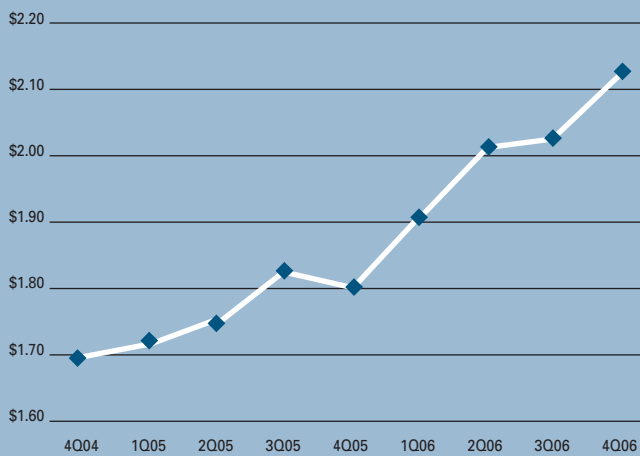
VACANCY RATE



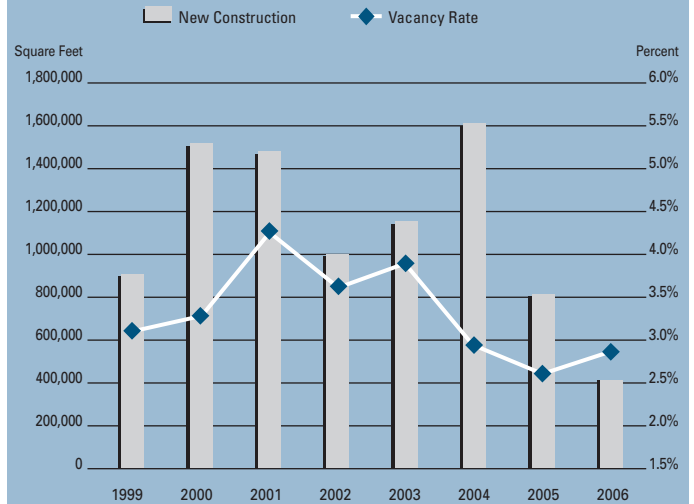
VACANCY RATE BY SUBMARKET



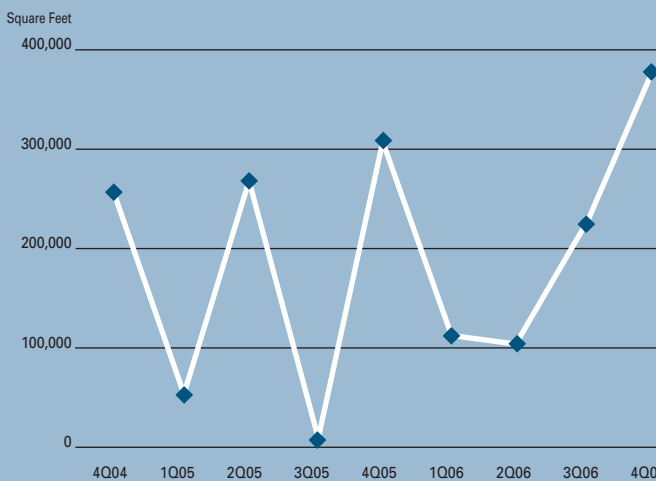
AVERAGE ASKING TRIPLE NET LEASE RATE



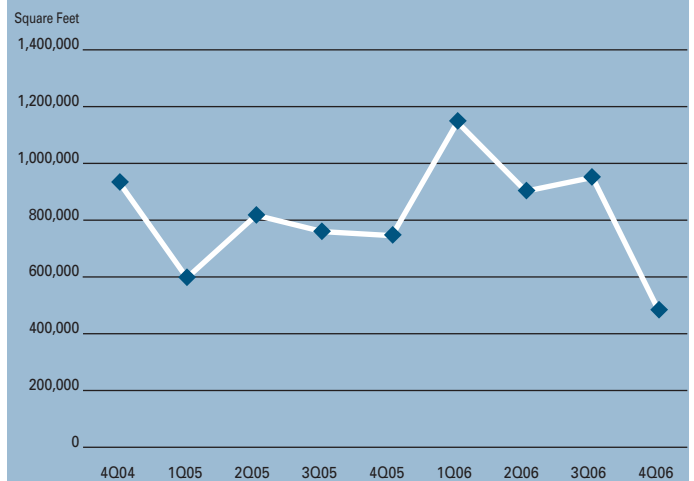
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 4Q2006	Total Availability 4Q2006	Average Asking Lease Rate	Net Absorption 4Q2006	Net Absorption 2006
Central										
Downtown	255	3,538,372	372,088	134,169	233,231	6.59%	255,431	\$2.72	(2,047)	(86,169)
Central Total	255	3,538,372	372,088	134,169	233,231	6.59%	255,431	\$2.72	(2,047)	(86,169)
Central Suburban										
City Heights/University	431	5,188,243	8,544	13,700	245,439	4.73%	368,045	\$1.81	(80,521)	(16,362)
Kearny Mesa	157	4,065,326	0	5,889	110,224	2.71%	126,679	\$1.84	(11,806)	(32,466)
Mission Gorge	138	4,165,610	0	71,530	99,403	2.39%	135,434	\$2.24	11,813	(53,269)
Mission Valley	68	5,701,399	0	0	24,831	0.44%	27,423	\$2.50	1,729	(4,861)
Old Town	29	241,313	10,950	0	4,656	1.93%	11,414	\$0.00	1,828	2,811
Point Loma	159	2,608,043	23,278	44,850	107,896	4.14%	170,083	\$0.00	40,253	61,609
Rose Canyon/Morena	249	4,507,315	27,212	80,000	181,482	4.03%	247,478	\$1.44	19,834	(7,027)
Uptown/Hillcrest	88	750,186	8,164	4,388	40,863	5.45%	48,604	\$2.03	9,848	24,391
Central Suburban Total	1,319	27,227,435	78,148	220,357	814,794	2.99%	1,135,160	\$1.79	(7,022)	(25,174)
Highway 78 Corridor										
Oceanside	308	5,551,876	17,000	88,874	247,196	4.45%	298,802	\$1.81	24,489	129,025
San Marcos/Vista	345	8,777,277	115,727	292,250	392,433	4.47%	408,697	\$1.76	347,015	433,478
Highway 78 Corridor Total	653	14,329,153	132,727	381,124	639,629	4.46%	707,499	\$1.80	371,504	562,503
I-15 Corridor										
Escondido	290	6,786,765	11,575	15,000	190,665	2.81%	266,953	\$2.28	(9,310)	72,940
Rancho Bernardo/Poway	147	5,351,083	9,887	0	123,615	2.31%	155,402	\$3.06	36,400	23,501
Scripps Ranch	31	843,378	6,400	0	1,960	0.23%	6,654	\$0.00	0	(385)
I-15 Corridor Total	468	12,981,226	27,862	15,000	316,240	2.44%	429,009	\$2.72	27,090	96,056
North City										
Del Mar Heights	18	592,444	28,382	3,231	4,120	0.70%	4,355	\$4.25	1,604	6,276
Governor Park	3	17,504	0	0	0	0.00%	0	\$0.00	0	0
La Jolla	118	1,142,823	0	0	52,952	4.63%	86,216	\$3.50	4,431	(2,775)
Miramar	87	2,814,184	0	0	114,872	4.08%	143,350	\$0.00	(38,407)	(26,021)
N University City - UTC Center	25	2,330,472	0	0	38,245	1.64%	39,365	\$0.00	(19,745)	(19,845)
Sorrento Mesa	12	258,325	0	12,000	22,129	8.57%	24,096	\$0.00	(1,829)	(13,192)
Torrey Pines/Sorrento Valley	3	23,589	0	0	2,548	10.80%	2,548	\$0.00	0	0
North City Total	266	7,179,341	28,382	15,231	234,866	3.27%	299,930	\$3.71	(53,946)	(55,557)
North County										
Carlsbad	212	4,917,044	4,000	46,642	72,438	1.47%	96,857	\$2.59	35,925	60,542
North Beach Cities	186	4,819,135	32,452	13,280	146,589	3.04%	156,851	\$2.64	(55,756)	(79,492)
North County Total	398	9,736,179	36,452	59,922	219,027	2.25%	253,708	\$2.61	(19,831)	(18,950)
South/Southeast Corridor										
East County	578	12,490,584	24,110	218,263	370,952	2.97%	452,538	\$1.60	40,358	(3,831)
South San Diego	852	18,343,957	31,676	278,700	324,579	1.77%	486,737	\$2.18	923,398	1,056,758
South/Southeast Total	1,430	30,834,541	55,786	496,963	695,531	2.26%	939,275	\$2.00	963,756	1,052,927
San Diego County Total	4,789	105,826,247	731,445	1,322,766	3,153,318	2.98%	4,020,012	\$2.13	1,279,504	1,525,636

Lease rates are on a triple net basis.

RETAIL MARKET REPORT

FOURTH 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

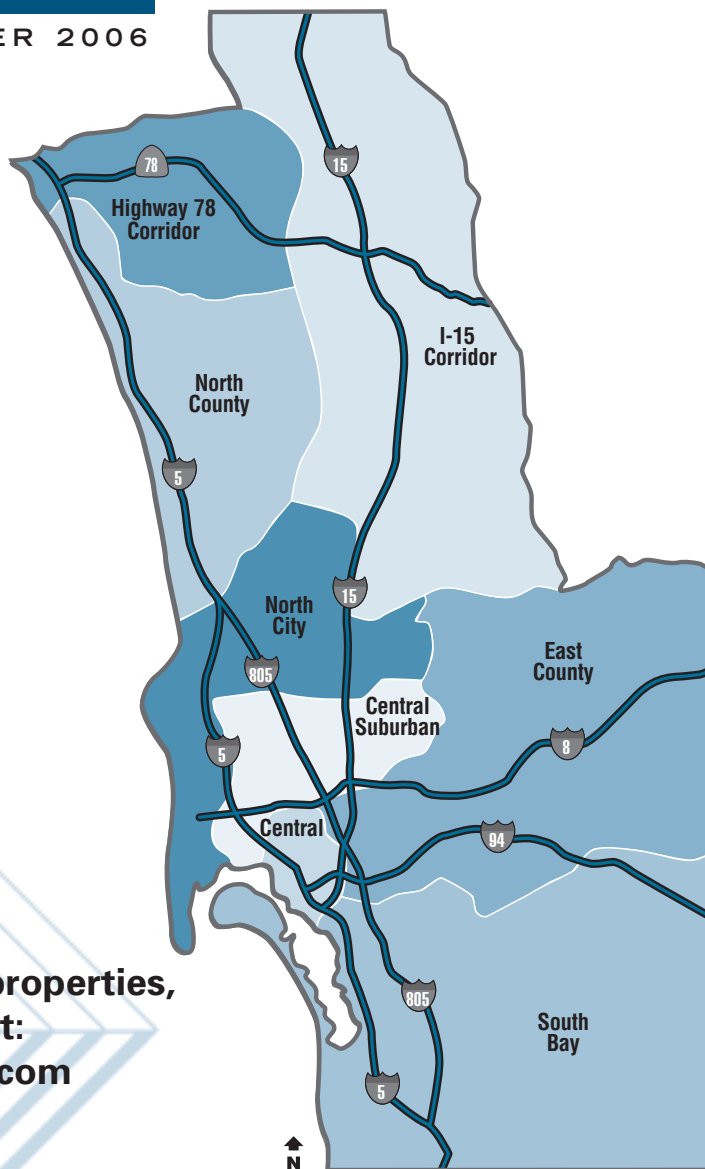
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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