



# Retail Market Report

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Compared to last quarter:

**Vacancy**  
**DOWN**



**Absorption**



**UP**

**Lease Rates**



**UP**

**Construction**



**UP**

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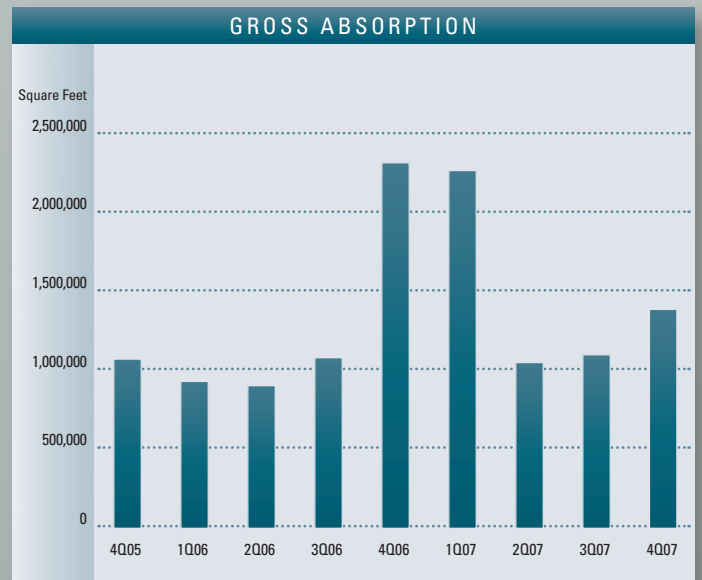
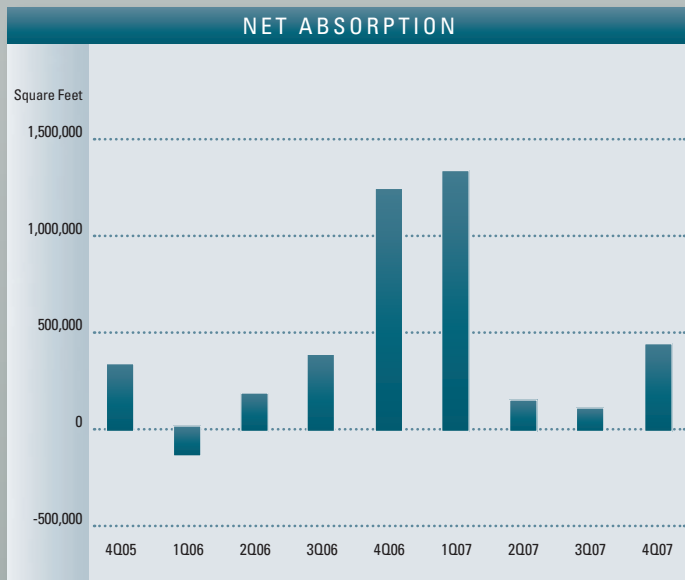
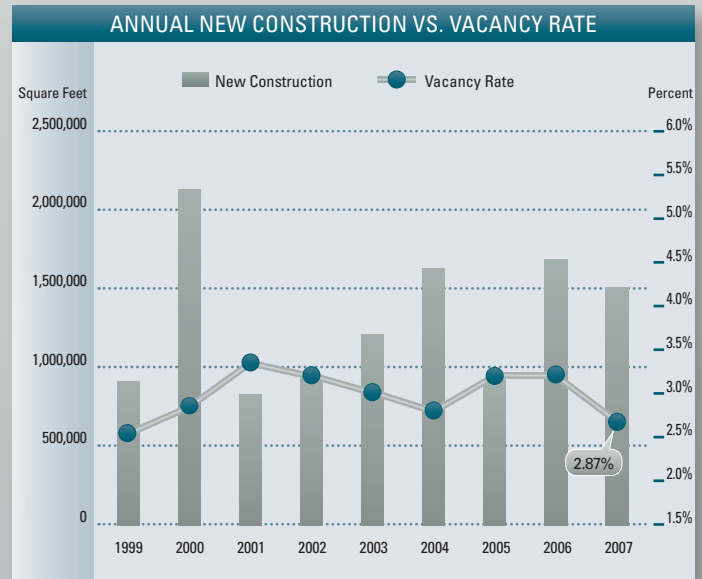
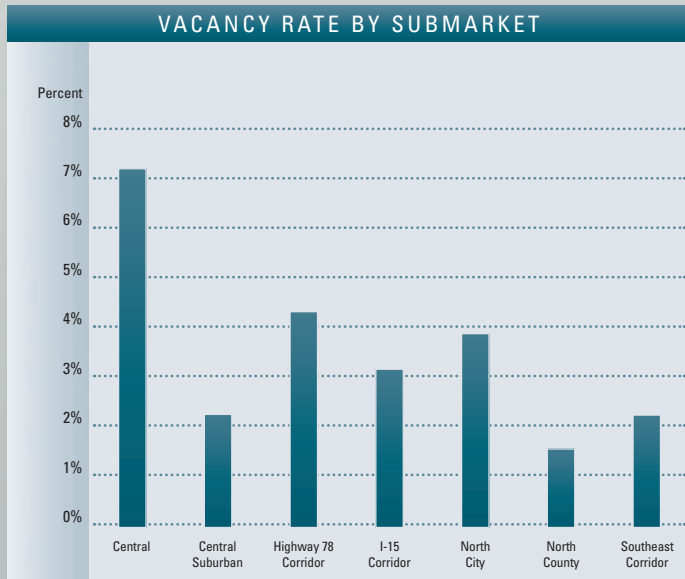
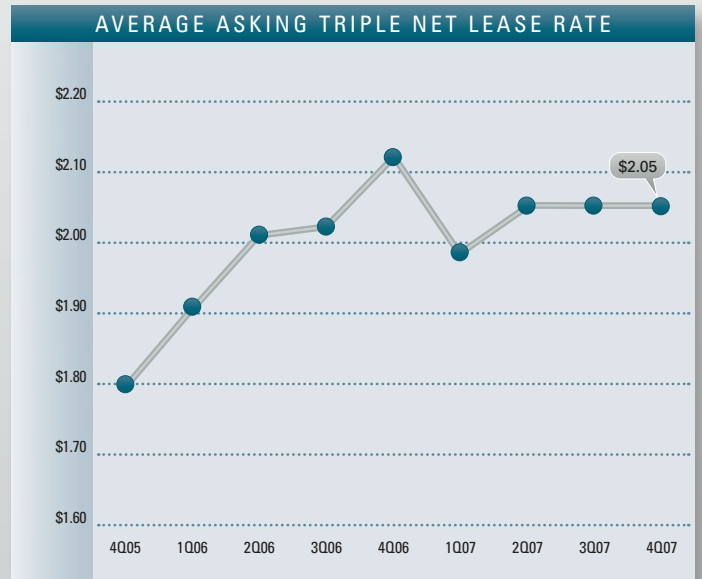
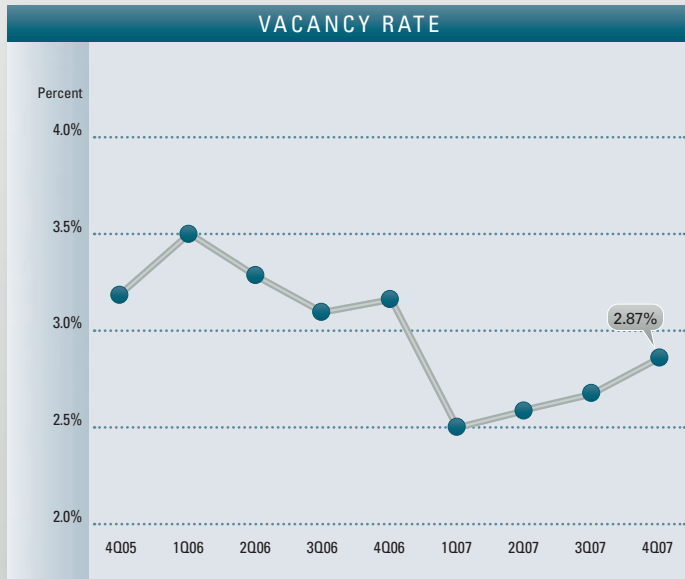
## Retail Market Highlights

- ◆ The Retail vacancy rate is at a low 2.87%, which is down from the 3.23% rate we saw during the fourth 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 1.49% and 2.35% 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 3.76% lower than what was reported in the fourth 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 466,150 square feet for the fourth quarter of 2007, giving the San Diego Retail Market a total of over 2 million square feet of positive absorption for 2007.
- ◆ Currently there is 589,244 square feet of Retail construction underway, and total construction is lower than the 1,150,919 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is up. Currently there is 3,698,724 square feet of Retail space on the slate as being planned compared to last year's figure of 1,322,766.
- ◆ Unemployment in the fourth quarter of 2007 in San Diego County is 4.8%, which is the same as it was when compared to the third quarter of 2007, and 0.8% 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 7,900 new non-farm jobs in 2007, and they are forecasting 16,900 new non-farm jobs in 2008 with another 22,600 new jobs in 2009. They are also forecasting a 4.1% gain in total personal income with inflation increasing by 2.9% 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 3% to 5% in 2008.

### RETAIL MARKET OVERVIEW

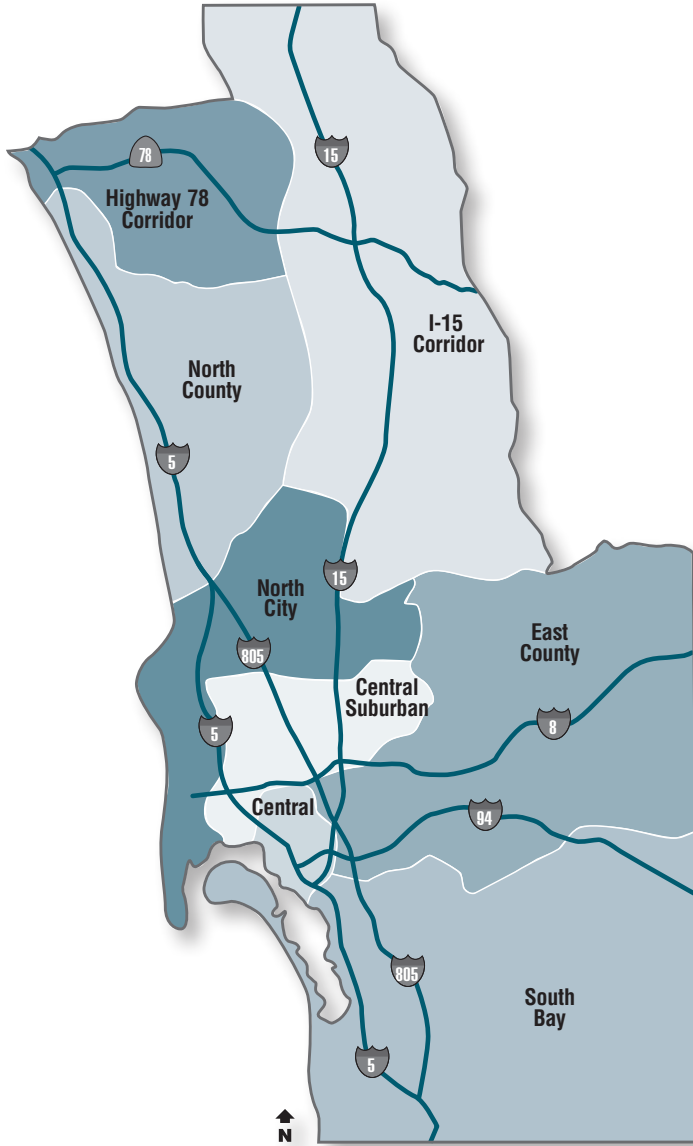
	2007	2006	2005	% CHANGE VS. 2006
Inventory Added	1,497,610	1,703,147	913,718	-12.07%
Under Construction	589,244	1,150,919	1,922,741	-48.80%
Vacancy	2.87%	3.23%	3.21%	-11.15%
Availability	4.05%	3.80%	3.41%	6.58%
Pricing	\$2.05	\$2.13	\$1.80	-3.76%
Net Absorption	2,021,269	1,677,364	354,823	20.50%
Gross Activity	5,765,777	5,242,044	3,877,876	9.99%

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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 4Q2007	Total Availability 4Q2007	Average Asking Lease Rate	Net Absorption 4Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>Central</b>												
Downtown	390	4,760,091	82,468	275,742	346,611	7.28%	423,015	\$2.66	16,784	27,371	(86,169)	85,106
<b>Central Total</b>	<b>390</b>	<b>4,760,091</b>	<b>82,468</b>	<b>275,742</b>	<b>346,611</b>	<b>7.28%</b>	<b>423,015</b>	<b>\$2.66</b>	<b>16,784</b>	<b>27,371</b>	<b>(86,169)</b>	<b>85,106</b>
<b>Central Suburban</b>												
City Heights/University	1,083	7,253,572	15,987	61,140	180,001	2.48%	308,790	\$1.63	(11,856)	150,082	(16,362)	15,116
Kearny Mesa	241	4,885,098	0	0	96,959	1.98%	136,672	\$1.74	(32,824)	32,265	(32,466)	72,284
Mission Gorge	205	4,312,443	0	0	90,296	2.09%	124,845	\$2.05	17,665	17,085	(53,269)	1,658
Mission Valley	89	5,364,600	0	0	57,458	1.07%	86,738	\$2.01	14,670	(15,807)	(4,861)	20,534
Old Town	91	443,416	0	0	9,092	2.05%	17,540	\$2.00	1,481	6,464	2,811	550
Point Loma	415	3,784,286	31,700	32,243	150,823	3.99%	196,231	\$1.97	10,244	234,056	61,609	(6,212)
Rose Canyon/Morena	550	5,741,089	0	102,684	101,399	1.77%	128,424	\$1.60	22,844	137,938	(7,027)	(23,122)
Uptown/Hillcrest	179	1,452,249	5,366	27,942	74,266	5.11%	78,085	\$2.60	13,372	22,731	24,391	(2,268)
<b>Central Suburban Total</b>	<b>2,853</b>	<b>33,236,753</b>	<b>53,053</b>	<b>224,009</b>	<b>760,294</b>	<b>2.29%</b>	<b>1,077,325</b>	<b>\$1.82</b>	<b>35,596</b>	<b>584,814</b>	<b>(25,174)</b>	<b>78,540</b>
<b>Highway 78 Corridor</b>												
Oceanside	436	5,755,170	8,707	1,137,051	303,161	5.27%	393,619	\$1.88	38,450	(51,459)	129,025	125,815
San Marcos/Vista	643	10,233,608	116,328	1,022,355	392,196	3.83%	574,458	\$1.97	47,333	229,723	433,478	171,277
<b>Highway 78 Corridor Total</b>	<b>1,079</b>	<b>15,988,778</b>	<b>125,035</b>	<b>2,159,406</b>	<b>695,357</b>	<b>4.35%</b>	<b>968,077</b>	<b>\$1.93</b>	<b>85,783</b>	<b>178,264</b>	<b>562,503</b>	<b>297,092</b>
<b>I-15 Corridor</b>												
Escondido	640	8,735,572	14,900	110,906	376,474	4.31%	561,514	\$1.86	(61,303)	66,006	72,940	(45,978)
Rancho Bernardo/ Poway	295	6,373,716	133,115	38,000	117,256	1.84%	155,861	\$2.35	(8,600)	260,831	23,501	6,318
Scripps Ranch	37	695,275	0	6,400	8,644	1.24%	11,644	\$2.64	(2,210)	(6,684)	(385)	3,155
<b>I-15 Corridor Total</b>	<b>972</b>	<b>15,804,563</b>	<b>148,015</b>	<b>155,306</b>	<b>502,374</b>	<b>3.18%</b>	<b>729,019</b>	<b>\$2.05</b>	<b>(72,113)</b>	<b>320,153</b>	<b>96,056</b>	<b>(36,505)</b>
<b>North City</b>												
Del Mar Heights	34	635,015	2,673	24,000	6,864	1.08%	11,802	\$0.00	(1,060)	(2,744)	6,276	82,317
Governor Park	4	97,729	0	0	1,600	1.64%	1,600	\$0.00	1,120	(1,600)	0	0
La Jolla	213	1,466,966	0	0	86,291	5.88%	91,459	\$4.59	949	(22,140)	(2,775)	(10,851)
Miramar	145	3,778,885	0	0	163,135	4.32%	198,235	\$1.94	(29,802)	(34,557)	(26,021)	(34,722)
N University City - UTC Center	45	2,227,339	0	0	48,922	2.20%	55,499	\$2.16	25,346	29,223	(19,845)	3,600
Sorrento Mesa	21	334,378	0	0	12,730	3.81%	40,010	\$3.50	(540)	21,300	(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>466</b>	<b>8,567,299</b>	<b>2,673</b>	<b>24,000</b>	<b>320,337</b>	<b>3.74%</b>	<b>399,400</b>	<b>\$2.74</b>	<b>(3,987)</b>	<b>(8,765)</b>	<b>(55,557)</b>	<b>37,330</b>
<b>North County</b>												
Carlsbad	296	5,233,135	0	159,342	103,289	1.97%	152,222	\$2.75	(8,889)	(11,951)	60,542	(9,413)
North Beach Cities	568	8,247,414	0	68,333	97,801	1.19%	190,555	\$2.85	21,257	222,087	(79,492)	9,378
<b>North County Total</b>	<b>864</b>	<b>13,480,549</b>	<b>0</b>	<b>227,675</b>	<b>201,090</b>	<b>1.49%</b>	<b>342,777</b>	<b>\$2.79</b>	<b>12,368</b>	<b>210,136</b>	<b>(18,950)</b>	<b>(35)</b>
<b>South/Southeast Corridor</b>												
East County	1,566	16,780,235	72,000	168,317	434,481	2.59%	638,272	\$1.75	181,306	294,285	(3,831)	170,387
South San Diego	1,486	20,285,281	106,000	297,000	438,180	2.16%	643,214	\$2.07	210,413	415,031	1,056,758	186,155
<b>South/Southeast Corridor Total</b>	<b>3,052</b>	<b>37,065,516</b>	<b>178,000</b>	<b>465,317</b>	<b>872,661</b>	<b>2.35%</b>	<b>1,281,486</b>	<b>\$1.91</b>	<b>391,719</b>	<b>709,316</b>	<b>1,052,927</b>	<b>356,542</b>
<b>San Diego County Total</b>	<b>9,676</b>	<b>128,903,549</b>	<b>589,244</b>	<b>3,531,455</b>	<b>3,698,724</b>	<b>2.87%</b>	<b>5,221,099</b>	<b>\$2.05</b>	<b>466,150</b>	<b>2,021,289</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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