



Retail Market Report

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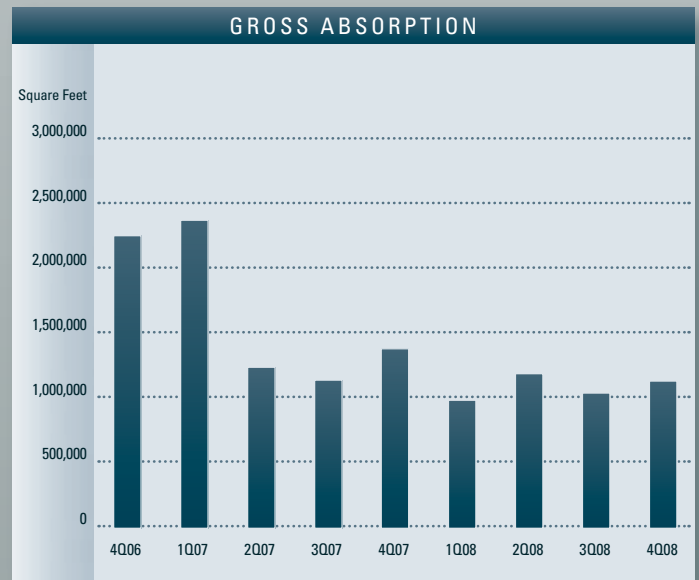
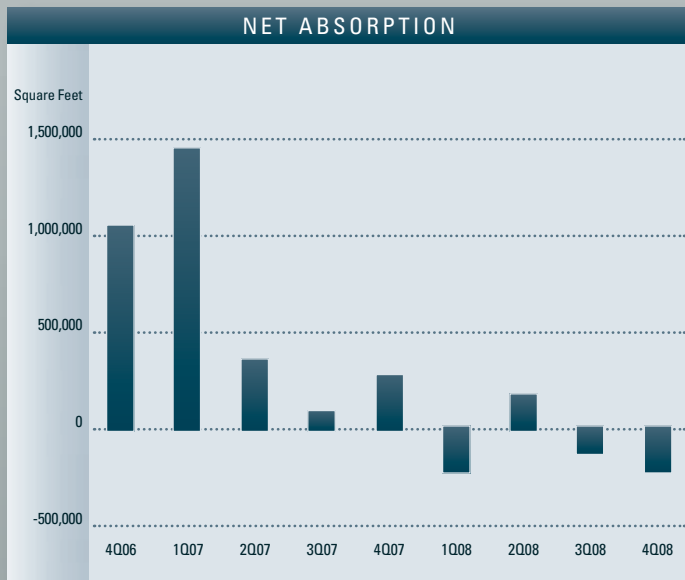
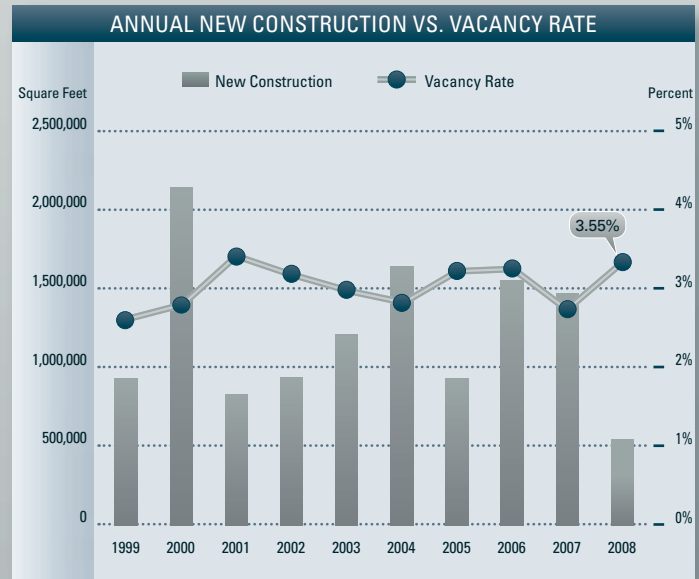
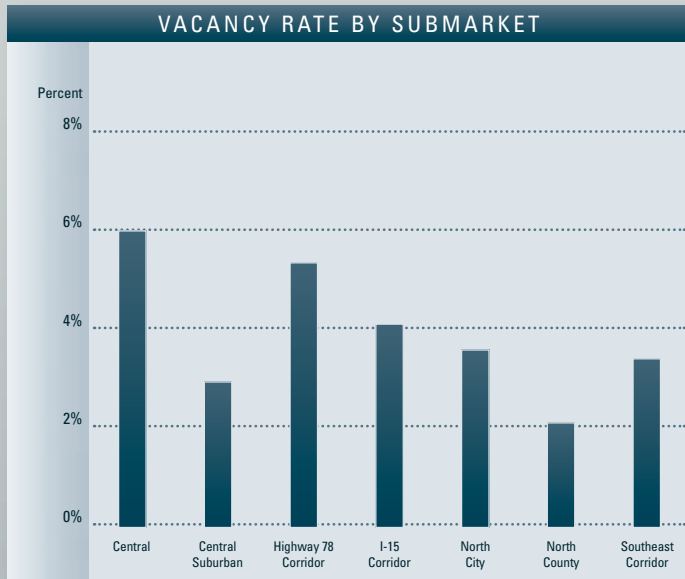
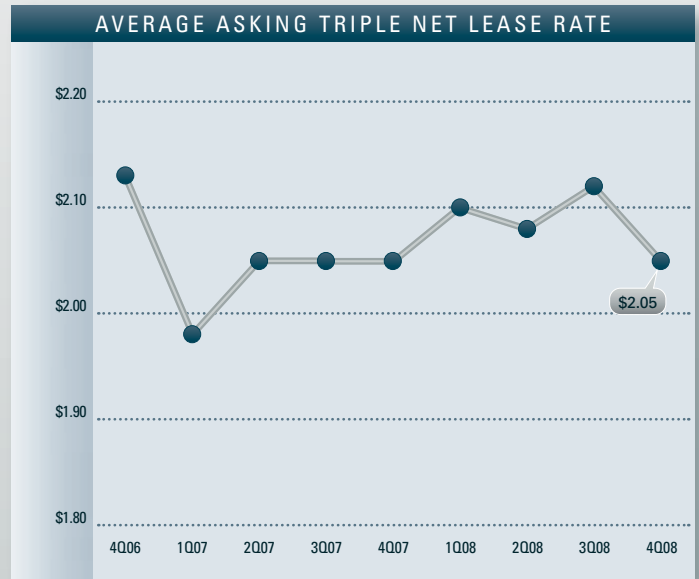
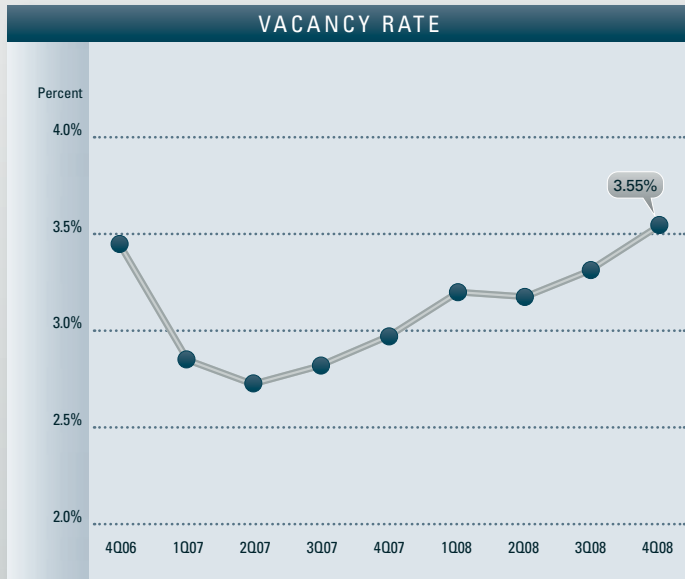
Retail Market Highlights

- ◆ The San Diego County Retail market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the retail market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Retail vacancy rate is at a low 3.55%, which is up from the 2.96% rate we saw during the fourth quarter of 2007. The lowest vacancy rates in the county can be found in the North County and Central Suburban Corridor submarkets, coming in at 2.01% and 2.87% respectively. This lack of supply is creating constrained demand for Retail space in the San Diego County area and is putting pressure on lease rates to remain at current levels.
- ◆ The average asking Triple Net lease rate was \$2.05 per square foot per month this quarter. This is seven cents lower than last quarter and the same as what was reported in the fourth quarter of 2007. The highest rates in the county can be found in the Downtown submarket, where the average asking Triple Net lease rate is \$2.93 per square foot.
- ◆ Retail absorption checked in at a negative 222,157 square feet for the fourth quarter of 2008. In 2008 the San Diego Retail Market had a total of 457,715 square feet of negative absorption.
- ◆ Currently there is 341,867 square feet of Retail construction underway, and total construction is lower than the 589,244 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 1.35 million square feet of Retail space on the slate as being planned compared to last year's figure of 3.53 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County lost 15,300 payroll jobs over the last twelve months. Between October 2008 and November 2008 San Diego County lost 2,200 jobs, mostly in the leisure & hospitality and construction sectors.
- ◆ The unemployment rate in San Diego County was 6.9% in November 2008, unchanged from a revised 6.9% percent in October 2008, but above the year ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 8.3 percent for California and 6.5 percent for the nation during the same period.
- ◆ Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.

RETAIL MARKET OVERVIEW

	2008	2007	2006	% CHANGE VS. 2007
Inventory Added	522,050	1,486,039	1,550,211	-64.87%
Under Construction	341,867	589,244	1,150,919	-41.98%
Vacancy	3.55%	2.87%	3.23%	23.69%
Availability	4.91%	4.05%	3.80%	21.23%
Pricing	\$2.05	\$2.05	\$2.13	0.00%
Net Absorption	-457,715	2,154,626	1,957,879	N/A
Gross Activity	4,042,799	6,105,075	5,667,620	-33.78%

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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 4Q2008	Total Availability 4Q2008	Average Asking Lease Rate	Net Absorption 4Q2008	Net Absorption 2008	Gross Absorption 4Q2008	Gross Absorption 2008
Central												
Downtown	424	5,023,775	27,845	139,169	298,586	5.94%	438,010	\$2.93	40,995	85,191	68,083	234,383
Central Total	424	5,023,775	27,845	139,169	298,586	5.94%	438,010	\$2.93	40,995	85,191	68,083	234,383
Central Suburban												
City Heights/University	1,299	8,031,802	0	13,969	289,916	3.61%	398,892	\$1.63	(216)	(49,047)	44,726	264,125
Kearny Mesa	254	4,956,362	0	0	152,104	3.07%	203,887	\$1.83	(25,174)	(52,645)	30,294	80,583
Mission Gorge	255	4,518,331	52,664	0	87,471	1.94%	119,326	\$1.73	7,998	12,083	16,790	87,050
Mission Valley	104	5,390,500	0	0	61,317	1.14%	101,025	\$2.29	(12,063)	(559)	4,500	46,037
Old Town	108	506,681	0	0	7,392	1.46%	9,042	\$2.63	5,868	6,900	5,868	22,800
Point Loma	425	3,798,778	0	14,000	197,044	5.19%	215,313	\$2.21	32,939	17,256	62,177	153,276
Rose Canyon/Morena	583	5,765,318	17,948	39,482	129,857	2.25%	186,627	\$2.47	4,236	32,336	24,337	115,018
Uptown/Hillcrest	249	1,746,255	16,306	18,300	69,679	3.99%	64,208	\$2.47	(5,307)	8,168	13,390	78,902
Central Suburban Total	3,277	34,714,027	86,918	85,751	994,780	2.87%	1,298,320	\$1.95	8,281	(25,508)	202,082	847,791
Highway 78 Corridor												
Oceanside	603	6,361,023	0	103,046	405,733	6.38%	513,200	\$1.94	(9,160)	(78,511)	58,026	196,747
San Marcos/Vista	901	11,273,482	54,477	226,272	541,017	4.80%	863,684	\$1.98	2,810	(30,878)	84,991	443,142
Highway 78 Corridor Total	1,504	17,634,505	54,477	329,318	946,750	5.37%	1,376,884	\$1.96	(6,350)	(109,389)	143,017	639,889
I-15 Corridor												
Escondido	699	9,305,260	0	31,000	478,550	5.14%	723,334	\$1.78	(21,866)	(105,175)	90,910	244,051
Rancho Bernardo/ Poway	448	8,148,233	0	0	231,460	2.84%	313,230	\$2.89	(62,647)	(81,114)	29,799	179,129
Scripps Ranch	48	803,410	0	0	26,223	3.26%	27,363	\$2.67	(2,018)	(13,729)	0	5,494
I-15 Corridor Total	1,195	18,256,903	0	31,000	736,233	4.03%	1,063,927	\$2.18	(86,531)	(200,018)	120,709	428,674
North City												
Del Mar Heights	52	1,123,590	0	0	10,914	0.97%	20,833	\$4.00	(9,795)	(4,050)	4,073	26,249
Governor Park	9	183,912	0	0	1,600	0.87%	1,600	\$0.00	0	0	0	800
La Jolla	215	1,474,337	0	0	41,534	2.82%	68,629	\$3.81	4,455	52,291	13,392	104,168
Miramar	200	3,895,563	0	0	178,432	4.58%	283,878	\$1.70	5,341	(56,979)	52,832	136,131
N University City - UTC Center	27	297,831	0	0	24,184	8.12%	19,631	\$0.00	1,016	(11,454)	3,016	21,353
Sorrento Mesa	4	26,987	0	0	795	2.95%	795	\$1.40	0	0	0	0
Torrey Pines/Sorrento Valley	75	2,434,755	0	0	77,171	3.17%	87,630	\$2.35	(30,398)	(25,734)	5,672	57,980
North City Total	582	9,436,975	0	0	334,630	3.55%	482,996	\$2.37	(29,381)	(45,926)	78,985	346,681
North County												
Carlsbad	310	5,390,999	77,052	92,461	91,507	1.70%	129,345	\$2.29	23,227	(5,761)	39,180	122,963
North Beach Cities	639	9,183,647	24,045	72,739	201,440	2.19%	273,424	\$3.08	(83,165)	(55,555)	28,583	178,011
North County Total	949	14,574,646	101,097	165,200	292,947	2.01%	402,769	\$2.70	(59,938)	(61,316)	67,763	300,974
South/Southeast Corridor												
East County	1,778	17,689,821	71,530	62,000	660,425	3.73%	896,641	\$1.63	(15,218)	(157,604)	185,721	587,401
South San Diego	1,759	20,943,831	0	542,108	651,239	3.11%	828,505	\$1.95	(74,015)	56,855	131,811	657,006
South/Southeast Corridor Total	3,537	38,633,652	71,530	604,108	1,311,664	3.40%	1,725,146	\$1.81	(89,233)	(100,749)	317,532	1,244,407
San Diego County Total	11,468	138,274,483	341,867	1,354,546	4,915,590	3.55%	6,788,052	\$2.05	(222,157)	(457,715)	998,171	4,042,799

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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