



Retail Market Report

Compared to 2011:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

UP

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Market Highlights

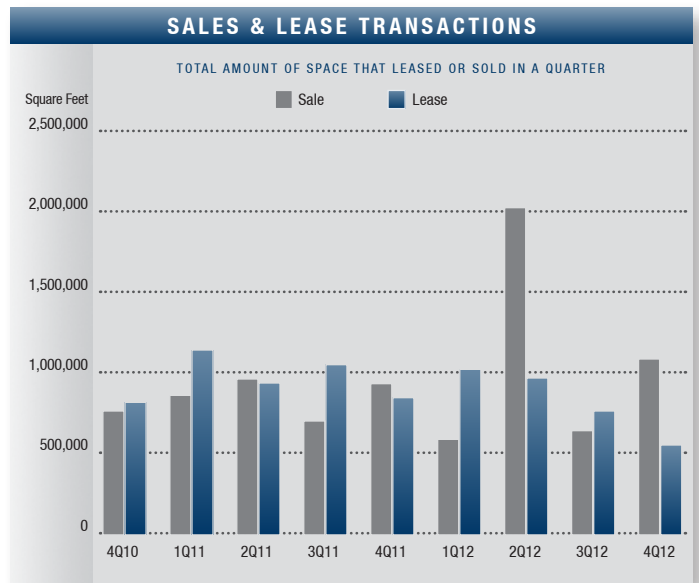
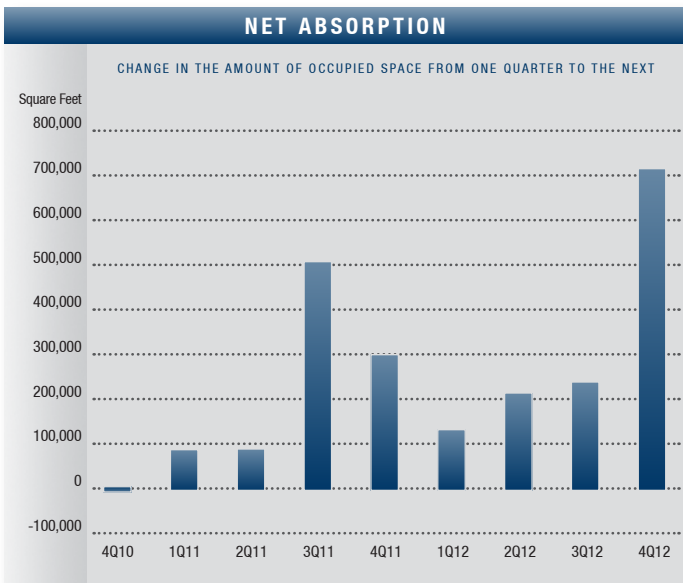
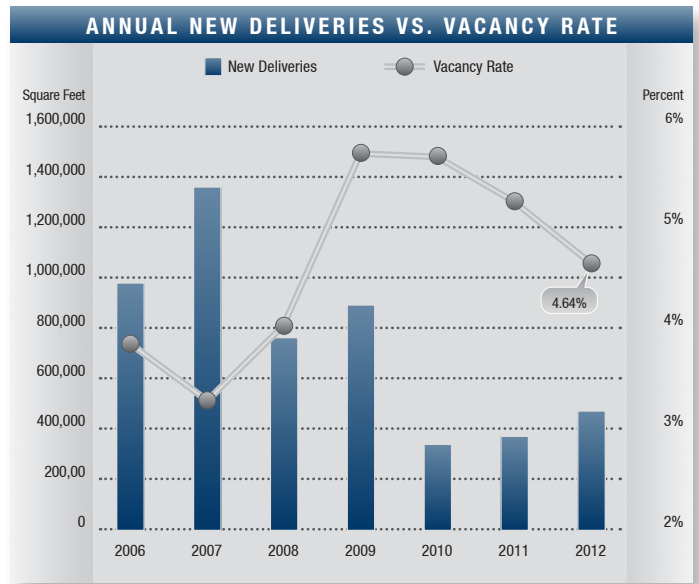
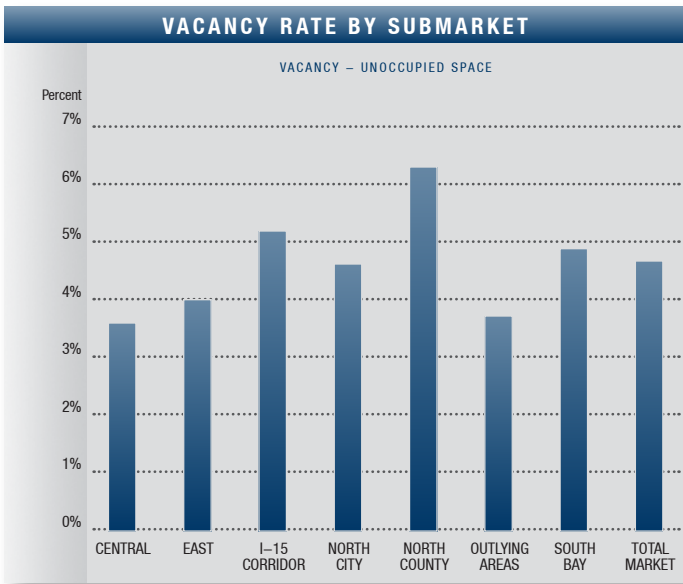
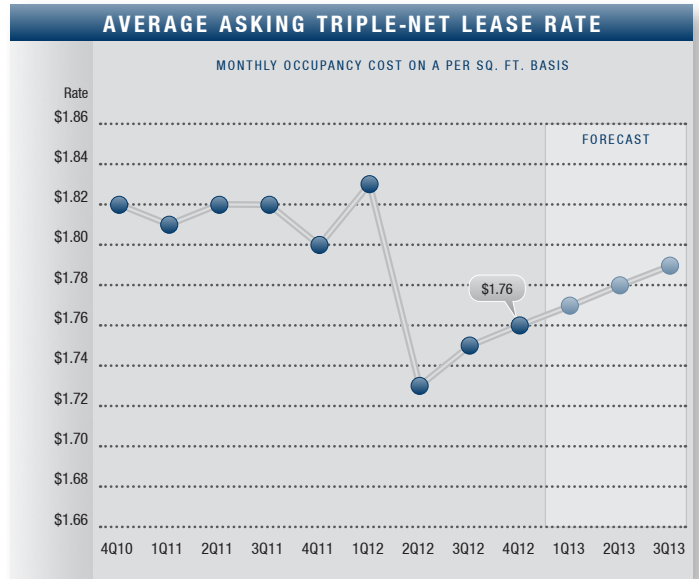
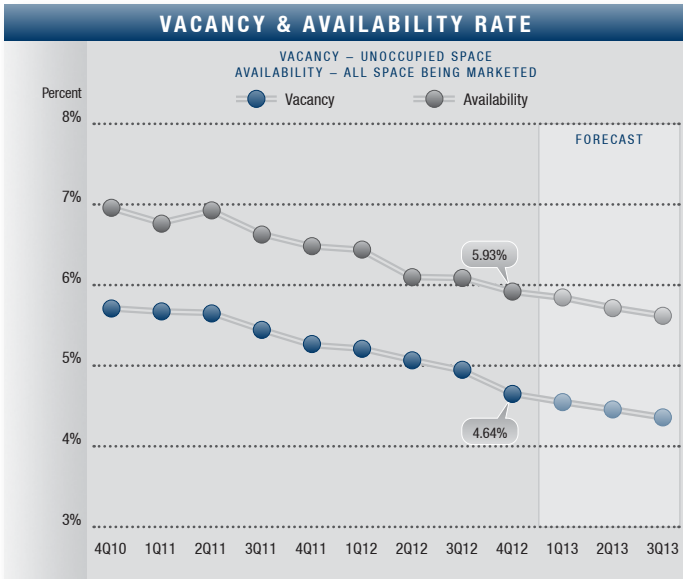
- **Steady Advance** - The San Diego retail market's 2012 numbers continued the trend of improving fundamentals — vacancy, availability, and net absorption all moved in a positive direction. While the San Diego retail market is in recovery, further improvement hinges on the continued employment gains.
- **Construction** - There was 288,091 square feet of retail construction underway at the close of the year. The retail construction pipeline has remained steady, although dropping from the volume seen five years ago.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 4.64%, a decrease from the previous year's rate of 5.26% and the lowest vacancy rate in four years.
- **Availability** - Direct/sublease space being marketed was 5.93% at the end of 2012, a decrease from 2011's rate of 6.49%. Malls had the lowest availability rate of any segment of the retail market at 2.3%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in San Diego County was \$1.76 at the end of 2012, with rates rising throughout the second half of the year after a dip in the first half. With vacancy continuing to fall, rates should stabilize. We are forecasting that lease rates will rise the coming quarters.
- **Absorption** - The San Diego retail market posted 1.3 million square feet of positive net absorption in 2012, marking the third consecutive year of positive net absorption, and the highest annual positive net absorption seen in five years.
- **Transaction Activity** - The combined amount of retail property sold and leased in the past year was over 7.5

million square feet. This was an increase from the 2011's total of 7.4 million square feet. Walmart has been leasing a good portion of the space that came available during the recession and that has contributed to the continued low vacancy rate. Details of the largest transactions can be found on the back page of this report.

- **Employment** - The unemployment rate in the San Diego County was 8.3% in November 2012, down from a revised 8.6% in October 2012 and below the year-ago estimate of 9.4%. This compares with an unadjusted unemployment rate of 9.6% for California and 7.4% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 24,600 payroll jobs from November 2011 to November 2012 — including 8,600 in professional and business services, and 5,300 from leisure and hospitality. Manufacturing was the only sector with year-over-year decline- a loss of 2,000 jobs.
- **Overall** - We are seeing a decrease in the amount of available space being added per quarter. Positive absorption continues, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market is stabilizing. We foresee a continued increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates are expected to firm up and possibly increase in the coming quarters. Thus far in the recovery quality properties have been able to begin moving rental rates in a positive direction again, but demand remains soft for marginal product. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.

RETAIL MARKET OVERVIEW

	2012	2011	2010	% of Change vs. 2011
Total Vacancy Rate	4.64%	5.26%	5.71%	(11.79%)
Availability Rate	5.93%	6.49%	6.97%	(8.63%)
Average Asking Lease Rate	\$1.76	\$1.80	\$1.82	(2.22%)
Sale & Lease Transactions	7,569,235	7,395,871	6,342,738	2.34%
Gross Absorption	4,626,220	4,510,540	4,864,694	2.56%
Net Absorption	1,291,437	972,802	351,600	N/A



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2012	Square Feet Available	Availability Rate 4Q2012	Average Asking Lease Rate	Net Absorption 4Q2012	Net Absorption 2012	Gross Absorption 4Q2012	Gross Absorption 2012
Central													
General Retail	3,722	21,566,885	1,800	601,584	764,397	3.54%	1,129,161	5.24%	\$2.05	(52,723)	97,203	113,113	604,488
Mall Market	20	4,276,289	0	0	606	0.01%	13,006	0.30%	\$0.00	0	(606)	0	0
Power Center	89	3,493,583	0	5,600	61,725	1.77%	79,990	2.29%	\$3.50	(13,645)	28,144	22,804	82,385
Shopping Center	691	10,902,154	0	129,142	620,230	5.69%	760,319	6.97%	\$1.87	90,226	208,245	134,168	522,430
Specialty Center	8	345,552	0	0	11,214	3.25%	41,754	12.08%	\$2.69	0	1,246	0	2,501
Central Total	4,530	40,584,463	1,800	736,326	1,458,172	3.59%	2,024,230	4.99%	\$2.06	23,858	334,232	270,085	1,211,804
East County													
General Retail	1,455	7,490,934	14,408	37,000	163,507	2.18%	290,736	3.88%	\$1.39	45,597	99,554	86,594	223,578
Mall Market	34	2,892,867	0	10,800	66,100	2.28%	70,548	2.44%	\$2.53	(500)	25,931	900	75,846
Power Center	37	1,104,940	0	0	6,457	0.58%	12,560	1.14%	\$3.00	6,760	17,239	6,760	23,838
Shopping Center	538	8,199,081	0	39,071	547,498	6.68%	714,518	8.71%	\$1.53	142,121	186,101	178,939	439,839
Specialty Center	2	82,792	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
East County Total	2,066	19,770,614	14,408	86,871	783,562	3.96%	1,088,362	5.50%	\$1.46	193,978	328,825	273,193	763,101
I-15 Corridor													
General Retail	177	1,726,984	0	15,368	11,492	0.67%	21,068	1.22%	\$1.83	(1,716)	18,929	1,200	21,845
Mall Market	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Power Center	22	546,253	0	0	48,283	8.84%	82,844	15.17%	\$0.00	0	41,356	0	41,356
Shopping Center	267	4,130,470	0	31,097	272,275	6.59%	281,349	6.81%	\$2.21	47,639	3,964	75,783	206,917
Specialty Center	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
I-15 Corridor Total	466	6,403,707	0	46,465	332,050	5.19%	385,261	6.02%	\$2.11	45,923	64,249	76,983	270,118
North County													
General Retail	1,696	11,080,040	17,559	519,057	436,790	3.94%	634,955	5.73%	\$1.17	30,444	(20,998)	59,306	185,442
Mall Market	74	4,060,751	0	0	188,837	4.65%	152,027	3.74%	\$2.18	298	4,681	4,575	23,392
Power Center	42	1,561,894	0	8,000	43,350	2.78%	87,221	5.58%	\$2.56	2,570	120,738	6,595	124,763
Shopping Center	890	15,178,022	249,443	545,254	1,351,339	8.90%	1,583,360	10.43%	\$1.62	64,728	195,003	159,989	623,558
Specialty Center	5	367,815	0	0	1,210	0.33%	1,210	0.33%	\$0.00	0	1,065	0	1,065
North County Total	2,707	32,248,522	267,002	1,072,311	2,021,526	6.27%	2,458,773	7.62%	\$1.56	98,040	300,489	230,465	958,220
North City													
General Retail	863	6,750,027	0	15,291	203,424	3.01%	271,974	4.03%	\$3.26	3,161	(20,836)	45,540	157,661
Mall Market	42	2,128,869	0	0	45,712	2.15%	56,790	2.67%	\$1.50	156,169	184,397	160,000	197,378
Power Center	46	1,170,856	0	0	10,467	0.89%	22,459	1.92%	\$0.00	(4,411)	(4,744)	1,229	47,008
Shopping Center	401	6,457,789	0	169,136	404,500	6.26%	463,190	7.17%	\$1.80	19,559	(17,242)	71,959	219,094
Specialty Center	9	232,667	0	491,000	107,350	46.14%	99,257	42.66%	\$1.25	(7,221)	(50,735)	4,085	4,085
North City Total	1,361	16,740,208	0	675,427	771,453	4.61%	913,670	5.46%	\$2.09	167,257	90,840	282,813	625,226
South Bay													
General Retail	1,099	5,769,855	0	333,359	283,857	4.92%	372,820	6.46%	\$1.62	2,578	21,471	38,114	162,590
Mall Market	42	2,646,242	0	0	43,034	1.63%	67,980	2.57%	\$0.00	21,978	15,085	38,114	162,590
Power Center	25	975,818	0	0	1,996	0.20%	14,544	1.49%	\$1.75	0	0	0	0
Shopping Center	491	8,899,898	4,881	593,120	580,812	6.53%	703,705	7.91%	\$1.70	170,243	151,047	210,919	395,951
Specialty Center	25	625,914	0	478,000	6,799	1.09%	9,420	1.50%	\$1.80	0	(3,184)	0	22,335
South Bay Total	1,682	18,917,727	4,881	1,404,479	916,498	4.84%	1,168,469	6.18%	\$1.68	194,799	184,419	287,147	743,466
Outlying Areas													
General Retail	461	1,778,658	0	27,200	67,947	3.82%	80,342	4.52%	\$1.21	(7,871)	(16,290)	9,283	24,306
Mall Market	16	161,000	0	0	11,000	6.83%	11,000	6.83%	\$0.00	0	0	0	0
Power Center	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Shopping Center	93	1,384,156	0	30,000	53,810	3.89%	70,713	5.11%	\$1.68	(1,225)	4,673	3,985	29,979
Specialty Center	1	255,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Outlying Areas Total	571	3,578,814	0	57,200	132,757	3.71%	162,055	4.53%	\$1.56	(9,096)	(11,617)	13,268	54,285
San Diego Total	13,383	138,244,055	288,091	4,079,079	6,416,018	4.64%	8,199,031	5.93%	\$1.76	714,759	1,291,437	1,433,954	4,626,220
General Retail	9,473	56,163,383	33,767	1,548,859	1,931,414	3.44%	2,801,056	4.99%	\$1.79	19,470	179,033	353,150	1,379,910
Mall Market	228	16,166,018	0	10,800	355,289	2.20%	371,351	2.30%	\$2.11	177,945	229,488	203,589	459,206
Power Center	261	8,853,344	0	13,600	172,278	1.95%	299,618	3.38%	\$2.67	(8,726)	202,733	37,388	319,350
Shopping Center	3,371	55,151,570	254,324	1,536,820	3,830,464	6.95%	4,577,154	8.30%	\$1.71	533,291	731,791	835,742	2,437,768
Specialty Center	50	1,909,740	0	969,000	126,573	6.63%	151,641	7.94%	\$2.44	(7,221)	(51,608)	4,085	29,986
San Diego Total	13,383	138,244,055	288,091	4,079,079	6,416,018	4.64%	8,200,820	5.93%	\$1.76	714,759	1,291,437	1,433,954	4,626,220

Lease rates are on a triple-net basis.

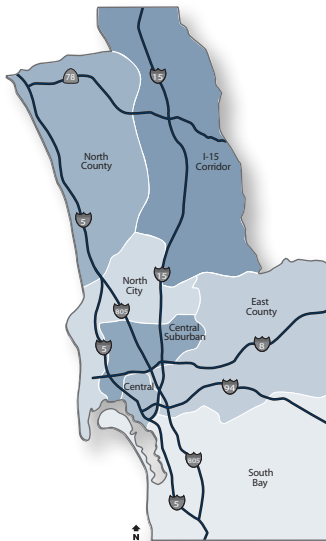
RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
2626-2654 Del Mar Heights Rd.	North City	64,966	\$629.10	Donahue Schriber	C.W. Clark, Inc.
4340-4420 Bonita Rd.	South Bay	98,854	\$309.04	Donahue Schriber	Nottingham Associates, Inc.
407-515 W. Washington St.	Central	63,500	\$452.76	American Realty Advisors	The Vons Companies, Inc.
3102-3156 Sports Arena Blvd.	Central	101,818	\$235.71	Rosecrans Plaza Kiffmann, LLC	Great American Capital
7710-7770 El Camino Real	North County	121,429	\$193.53	Excel Trust, Inc.	Black Rock, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1550 Leucadia Blvd.	North County	105,896	Feb-12	Walmart	Home Depot (Sublease)
7655 Clairemont Mesa Blvd.	Central	94,500	Feb-12	Zion Market	McGrath Development
2121 E Imperial Ave.	Central	45,800	Apr-12	Walmart	Imperial Market Investors, LLC
9440-9450 Mira Mesa Blvd.	North City	44,777	Aug-12	H Mart	Mesa Shopping Center East
7480 Miramar Rd.	North City	43,514	Aug-12	Woodbridge Interiors	Wells Fargo



SUBMARKETS

CENTRAL COUNTY

Central San Diego, Clairemont, Coronado, Downtown, Mission Gorge, Mid City/South East San Diego, Mission Valley, Pacific Beach/Morena, Point Loma/Sports Arena

EAST COUNTY

El Cajon, La Mesa, Lemon Grove/Spring Valley, Santee/Lakeside

I-15 CORRIDOR

Carmel Mountain Ranch, Poway, Rancho Bernardo, Rancho Penasquitos

NORTH CITY

Cardiff/Encinitas, Del Mar Heights, La Jolla/Torrey Pines, Miramar, UTC Center

NORTH COUNTY

Carlsbad, Escondido, Oceanside, San Marcos, Vista

OUTLYING AREAS

Outlying SD County North, Outlying SD County South

SOUTH BAY

Chula Vista, Eastlake, Imperial Beach/South San Diego, National City

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