

MarketView San Diego Retail

Quick Stats

	Current	Change from last	
		Yr	Qtr
Vacancy Rate	7.4%	↑	↓
Lease Rate	\$1.75	↓	↑
Net Absorption	196,641	↑	↑
Construction	100,000	↑	→

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- The San Diego County unemployment rate was 9.2% in November, down from 10.2% in August, and down from the year-ago rate of 10.6%.
- Retail trade (up 4,500) accounted for more than 90% of the overall job growth
- General merchandise stores (up 2,700) and clothing and clothing accessories stores (up 1,900)
- The unadjusted unemployment rate in November for California was 10.9% and was 8.2% for the nation.

The San Diego retail market improved in the fourth quarter, posting a second consecutive quarter of positive net absorption and a slight drop in vacancy. Amidst the holiday season, the San Diego job market saw improvement with the Trade, transportation and utilities sector reporting the greatest month-over gain in November, adding 4,800 jobs. Retail trade, up 4,500 jobs, accounted for more than 90% of the overall job growth in this sector, primarily from general merchandise stores (up 2,700) and clothing and clothing accessories stores (up 1,900). Wholesale trade increased by 300 jobs, while transportation, warehousing, and utilities recorded no change in employment for the month of November.

Direct vacancy was 7.4% at the end of the fourth quarter 2011, down 0.3% from the previous quarter, but is up 0.8% from a year ago. Overall availability decreased 0.3% from the previous quarter to 10.6%.

Net absorption totaled positive 196,641 square feet for the quarter, which is up from the previous quarter. For the year, total net absorption was positive 94,393. The greatest product contributor this quarter was Community Centers which posted positive 158,000 square feet of net absorption.

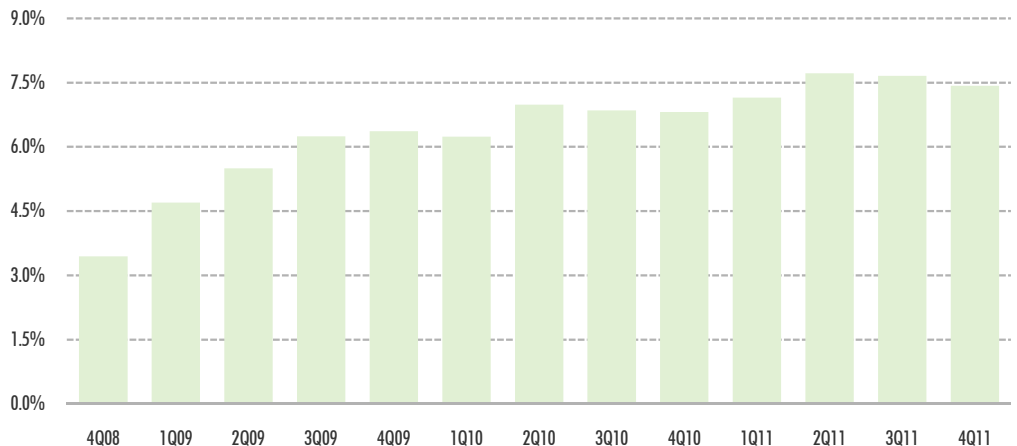
The submarkets that posted the most positive net absorption during the quarter, was La Mesa/San Carlos with 56,083 square feet, followed by Carlsbad with 33,672 square feet, and Vista with 33,672 square feet.

Notable transactions during the fourth quarter included two 24 Hour Fitness Gyms at 66,851 square feet in Clairemont/Kearny Mesa and 45,000 square feet in Miramar.

Construction activity remained stable from the previous quarter with one center under construction totaling 100,000 square feet.

*Market coverage has changed from centers 50,000 and greater to centers 25,000 and greater.

Vacancy Rate

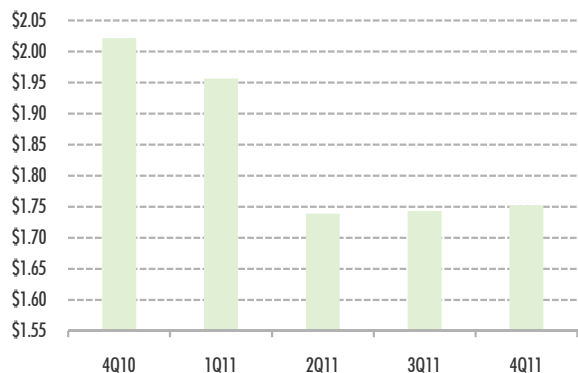


Market Statistics

Submarket	RBA	Vacancy Rate	Avail Rate	Construction Deliveries	Under Construction	Avg Asking Lease Rate	Net Absorption	YTD Construction Deliveries	YTD Net Absorption
Cardiff/Encinitas/Leucadia	1,881,688	6.6%	10.2%	0	0	\$2.39	(3,996)	0	18,707
Carlsbad/La Costa	2,328,191	4.1%	11.2%	0	0	\$2.39	33,672	0	(23,788)
Carmel Mountain Ranch	1,541,420	4.8%	9.9%	0	0	\$3.31	68,775	0	29,994
Chula Vista/Bonita	3,562,989	3.3%	4.7%	0	0	\$1.94	921	0	(16,365)
Clairemont/Kearny Mesa/Tierrasanta	3,820,161	5.8%	6.3%	0	0	\$1.83	(2,682)	0	57,341
Del Mar/Solana Beach/Rancho Santa Fe	1,717,039	3.1%	5.6%	0	0	\$3.12	(6,991)	0	3,649
Downtown/Hillcrest/Old Town	640,655	1.6%	1.9%	0	100,000	\$2.80	1,941	0	(5,428)
East Chula Vista	2,195,824	6.3%	12.4%	0	0	\$1.78	8,763	0	(14,357)
El Cajon	2,195,824	6.3%	12.4%	0	0	\$1.78	8,763	0	(14,357)
Fallbrook	525,886	5.0%	5.9%	0	0	\$1.76	0	0	(7,668)
Escondido	3,658,689	9.6%	12.2%	0	0	\$1.91	2,413	0	12,667
Golden Triangle	1,087,948	2.5%	3.3%	0	0	\$2.51	8,754	0	4,690
Imperial Beach/South San Diego	2,227,493	4.5%	5.1%	0	0	\$1.28	8,627	0	(20,614)
La Jolla	52,884	18.8%	20.9%	0	0	\$3.00	1,443	0	(7,983)
La Mesa/San Carlos	2,659,552	5.0%	6.5%	0	0	\$1.38	56,083	0	48,302
Lemon Grove/Spring Valley/Rancho San Diego	1,286,647	6.1%	10.9%	0	0	\$1.30	9,889	0	(16,891)
Mid City/El Cajon Blvd	2,504,675	6.5%	8.1%	0	0	\$1.46	(1,180)	0	(35,190)
Mira Mesa/Scripps Ranch	2,213,428	2.8%	4.0%	0	0	\$1.99	(9,564)	0	11,498
Miramar	860,437	29.3%	37.6%	0	0	\$1.24	5,990	0	1,360
Mission Gorge/Del Cerro/Allied Gardens	586,919	1.9%	2.3%	0	0	\$1.55	1,528	0	2,896
Mission Valley	1,494,053	2.5%	2.7%	0	0	\$1.69	11,994	0	3,912
Murrieta	4,280,005	11.4%	20.9%	0	0	\$1.48	30,213	0	(12,086)
National City/Paradise Hills	1,559,196	7.8%	11.6%	0	0	\$1.47	549	0	18,133
Oceanside	5,096,513	9.9%	13.6%	0	0	\$1.79	(8,797)	0	88,528
Pacific Beach/Morena	577,075	1.5%	2.2%	0	0	\$2.18	1,527	0	2,865
Ramona	362,425	4.7%	7.0%	0	0	\$1.41	9,354	0	17,827
Rancho Bernardo	637,424	5.9%	10.5%	0	0	\$2.09	(1,572)	0	4,054
Rancho Penasquitos/Poway	1,989,349	4.9%	12.1%	0	0	\$1.77	6,926	0	(58,880)
San Marcos	2,852,277	8.5%	11.5%	0	0	\$1.65	(347)	0	(55,172)
Santee/Lakeside	1,991,494	5.6%	7.8%	0	0	\$2.56	1,472	0	8,836
Sports Arena/Point Loma	1,922,510	8.4%	13.2%	0	0	\$2.10	3,263	0	7,771
Temecula	4,657,419	14.9%	17.8%	0	0	\$1.59	(23,196)	0	(34,513)
Vista	2,328,191	4.1%	11.2%	0	0	\$2.39	33,672	0	(23,788)
San Diego Totals	68,048,038	7.4%	10.6%	0	100,000	\$1.75	196,641	0	94,393

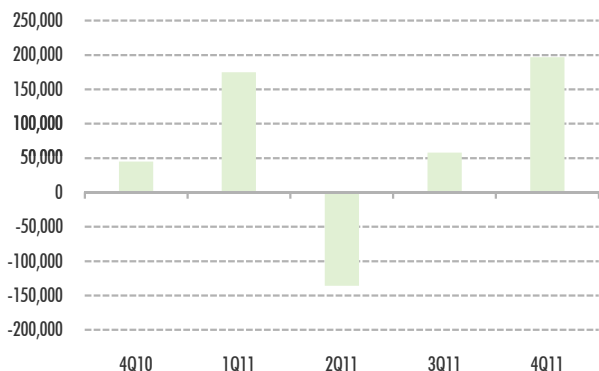
*There was a substantial change in inventory due to the market coverage changing from centers 50,000 SF and greater to centers 25,000 and greater

Average Asking Lease Rates



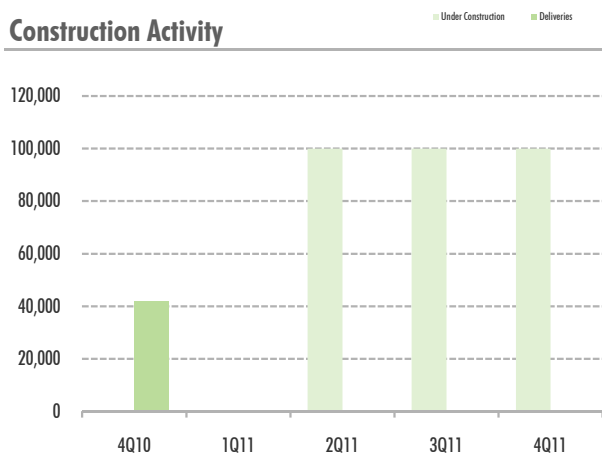
The weighted average asking lease rate for San Diego retail space increased in the fourth quarter, to \$1.75, up \$0.01 from the previous quarter. This was a \$0.03 drop in rate from the previous quarter and twenty seven cents lower than the rental rate one year ago. The submarket with the highest asking rate was Carmel Mountain Ranch at \$3.31, followed Del Mar at \$3.12 and La Jolla at \$3.00. Miramar and Imperial had the lowest average rental rates at \$1.24 and \$1.28 respectively.

Net Absorption



In the fourth quarter, net absorption totaled positive 196,641 square feet. 23 of the 33 submarkets posted positive net absorption during the quarter, led by La Mesa/San Carlos with 56,083 square feet, followed by Carlsbad with 33,672 square feet, and Vista with 33,672 square feet. The market with the largest negative growth was Temecula with negative 23,196, followed by Mira Mesa with negative 9,564 square feet, and Oceanside with negative 8,797 square feet.

Construction Activity



Construction activity has remained the same in the fourth quarter from the previous two quarters with only one project under construction The Mercado de Barrio is a 100,000 square-foot center in the Downtown/Hillcrest/Old Town submarket.

Submarket Map



AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking net lease rate for each building by its vacant space, summing the products, then dividing by the sum of the vacant space with net leases for all buildings in the summary.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

MARKET COVERAGE

Includes all competitive retail centers 25,000 square feet and greater in size, excluding regional malls and centers.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

AVAILABLE SQUARE FEET

Available Building Area which is either physically vacant or occupied and available for lease.

AVAILABILITY RATE

Available Square Feet divided by the Net Rentable Area.

VACANT SQUARE FEET

Existing Building Area which is physically vacant or immediately available.

VACANCY RATE

Vacant Square Feet divided by the Net Rentable Area.

NORMALIZATION

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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