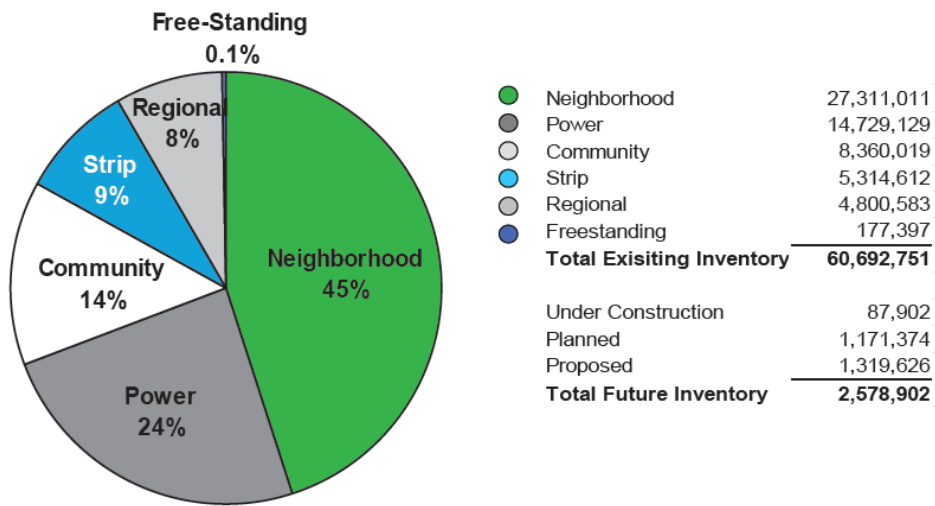


The current recession, which officially started in December of 2007, has affected every industry and every city. Which retail submarkets in San Diego County have been affected the most and which are recovering the fastest? The answers can be found below.

The San Diego County retail market¹ consists of 60,692,751 square feet of which 45 percent is neighborhood centers, 24 percent power centers, 14 percent community, nine percent strip centers, eight percent regional centers and 0.1 percent free-standing retail centers.

– Inventory Breakdown



Of the total 29 retail submarkets countywide, nine are located in North County, eight in Central County, seven in South County and four in East County.

¹Retail inventory is the total square footage of gross rentable area (GRA) in a specific market. It includes the GRA in buildings that have received a certificate of occupancy. Existing inventory totals include all retail centers over 50,000 SF, excluding owner-user. Downtown and Uptown existing inventory totals include all retail centers 10,000 SF and up.

Looking at the size of the retail submarkets countywide, the largest five submarkets are Chula Vista/Bonita, Oceanside, Escondido, La Mesa/Lemon Grove and Downtown. In the table below, retail submarkets are listed from the largest (Chula Vista/Bonita) to the smallest (Fallbrook). The colors – light blue, dark blue, yellow and green – represent in which county (north, south, east or central) the submarket is located.

Submarkets Ranked by Size

County	Submarket	Size of the Submarket in SF as of 1H10
South	Chula Vista/Bonita	6,876,270
North	Oceanside	4,433,358
North	Escondido	3,944,738
East	La Mesa/Lemon Grove	3,604,193
South	Downtown	2,831,698
East	El Cajon	2,695,877
North	San Marcos	2,691,221
North	Vista	2,371,404
Central	Mission Valley	2,265,411
North	Encinitas	2,157,768
Central	Mira Mesa/Miramar	2,136,290
Central	UTC/La Jolla	2,122,578
Central	Poway/Scripps	1,951,270
Central	Clairemont/Pacific Beach	1,941,725
North	Rancho Bernardo	1,938,798
North	Carlsbad	1,793,348
Central	Carmel Mount. Ranch/Rancho PQ	1,662,816
East	Santee	1,645,081
Central	Kearny Mesa	1,638,979
South	Point Loma/Sports Arena	1,529,099
South	National City	1,451,568
East	Rancho San Diego/Spring Valley	1,382,379
South	College	1,282,993
Central	Del Mar	1,094,179
South	San Ysidro/Imperial Beach	995,427
South	South East San Diego	763,879
North	Solana Beach	517,737
South	Uptown/Hillcrest	499,137
North	Fallbrook	473,530
Countywide	Countywide	60,692,751

Comparing First Half 2007 (1H07) vs. First Half 2010 (1H10) – Three Years

Between the first half of 2007 and the first half of 2010, four retail submarkets countywide have recorded a decrease in direct vacancy rate – Fallbrook, College, San Ysidro/Imperial Beach and UTC/La Jolla. Submarkets that have recorded the largest increase in vacancy rate over the last three years are Uptown/Hillcrest, South East San Diego, Kearny Mesa, National City and San Marcos. Countywide, direct vacancy rate has increased 3.1 percentage points over the last three years to 5.3 percent recorded in the first half of 2010.

Decrease in Direct Vacancy Rate by Submarket 1H10 vs. 1H07

County	Submarket	Size of Market SF (1H10)	1H07	1H10	1H10 vs. 1H07
North	Fallbrook	473,530	4.7%	0.9%	-3.8%
South	College	1,282,993	2.9%	2.3%	-0.6%
South	San Ysidro/Imperial Beach	995,427	1.8%	1.3%	-0.5%
Central	UTC/La Jolla	2,122,578	1.9%	1.5%	-0.4%
South	Chula Vista/Bonita	6,876,270	1.7%	2.3%	0.6%
Central	Mission Valley	2,265,411	0.1%	1.1%	1.0%
Central	Poway/Scripps	1,951,270	2.6%	3.7%	1.1%
East	Rancho San Diego/Spring Valley	1,382,379	1.1%	2.5%	1.4%
South	Point Loma/Sports Arena	1,529,099	9.2%	11.0%	1.8%
Central	Mira Mesa/Miramar	2,136,290	3.3%	5.2%	1.9%
South	Downtown	2,831,698	5.9%	7.9%	2.0%
East	Santee	1,645,081	1.0%	3.1%	2.1%
East	El Cajon	2,695,877	3.1%	5.3%	2.2%
North	Encinitas	2,157,768	2.2%	4.7%	2.5%
North	Rancho Bernardo	1,938,798	0.9%	3.9%	3.0%
Central	Carmel Mount. Ranch/Rancho PQ	1,662,816	0.4%	3.5%	3.1%
Central	Del Mar	1,094,179	1.0%	4.4%	3.4%

North	Carlsbad	1,793,348	1.8%	5.3%	3.5%
North	Solana Beach	517,737	0.0%	3.7%	3.7%
North	Vista	2,371,404	3.9%	7.6%	3.7%
East	La Mesa/Lemon Grove	3,604,193	0.7%	4.9%	4.2%
North	Oceanside	4,433,358	3.1%	7.7%	4.6%
Central	Clairemont/Pacific Beach	1,941,725	1.0%	5.9%	4.9%
North	Escondido	3,944,738	1.4%	6.4%	5.0%
North	San Marcos	2,691,221	4.4%	10.1%	5.7%
South	National City	1,451,568	1.8%	7.8%	6.0%
Central	Kearny Mesa	1,638,979	0.7%	8.8%	8.1%
South	South East San Diego	763,879	1.9%	12.1%	10.2%
South	Uptown/Hillcrest	499,137	0.0%	12.9%	12.9%
Countywide	Countywide	60,692,751	2.2%	5.3%	3.1%

Comparing First Half 2009 (1H09) vs. First Half 2010 (1H10) – One Year

Between the first half of 2009 and the first half of 2010, the largest decrease in direct vacancy rate countywide was recorded in Carmel Mountain Ranch/Rancho PQ, College and Santee submarkets. Looking at the major submarkets that are larger than two million square feet, direct vacancy rate decreased the most from the last year in Encinitas, Mira Mesa/Miramar and San Marcos. Countywide, direct vacancy rate has decreased 30 basis points to 5.3 percent recorded in the first half of 2010.

Decrease in Direct Vacancy Rate by Submarket 1H10 vs. 1H09

County	Submarket	Size of Market SF (1H10)	1H09	1H10	1H10 vs. 1H09
Central	Carmel Mount. Ranch/Rancho PQ	1,662,816	7.2%	3.5%	-3.7%
South	College	1,282,993	5.2%	2.3%	-2.9%
East	Santee	1,645,081	5.4%	3.1%	-2.3%
North	Encinitas	2,157,768	6.6%	4.7%	-1.9%
Central	Mira Mesa/Miramar	2,136,290	7.1%	5.2%	-1.9%
North	San Marcos	2,691,221	11.7%	10.1%	-1.6%
South	San Ysidro/Imperial Beach	995,427	2.4%	1.3%	-1.1%
East	Rancho San Diego/Spring Valley	1,382,379	3.6%	2.5%	-1.1%
South	Point Loma/Sports Arena	1,529,099	12.0%	11.0%	-1.0%
North	Vista	2,371,404	8.5%	7.6%	-0.9%
East	La Mesa/Lemon Grove	3,604,193	5.7%	4.9%	-0.8%
South	Chula Vista/Bonita	6,876,270	2.8%	2.3%	-0.5%
South	Downtown	2,831,698	8.3%	7.9%	-0.4%
Central	UTC/La Jolla	2,122,578	1.8%	1.5%	-0.3%
North	Oceanside	4,433,358	7.9%	7.7%	-0.2%
North	Carlsbad	1,793,348	5.3%	5.3%	0.0%
North	Escondido	3,944,738	6.4%	6.4%	0.0%
North	Fallbrook	473,530	0.8%	0.9%	0.1%

North	Solana Beach	517,737	3.4%	3.7%	0.3%
Central	Mission Valley	2,265,411	0.7%	1.1%	0.4%
East	El Cajon	2,695,877	4.8%	5.3%	0.5%
North	Rancho Bernardo	1,938,798	3.4%	3.9%	0.5%
Central	Poway/Scripps	1,951,270	2.9%	3.7%	0.8%
South	Uptown/Hillcrest	499,137	11.9%	12.9%	1.0%
Central	Del Mar	1,094,179	2.7%	4.4%	1.7%
Central	Clairemont/Pacific Beach	1,941,725	3.9%	5.9%	2.0%
South	South East San Diego	763,879	9.8%	12.1%	2.3%
South	National City	1,451,568	5.2%	7.8%	2.6%
Central	Kearny Mesa	1,638,979	4.1%	8.8%	4.7%
Countywide	Countywide	60,692,751	5.6%	5.3%	-0.3%

Comparing Second Half 2009 (2H09) vs. First Half 2010 (1H10) – Six Months

Between the second half of 2009 and the first half of 2010, the largest decrease in direct vacancy rate countywide was recorded in Point Loma/Sports Arena, College, Downtown and South East San Diego submarkets. Looking at the major submarkets that are larger than two million square feet, direct vacancy rate decreased the most over the last six months in Downtown and San Marcos. Countywide, direct vacancy rate has decreased 60 basis points from the second half of 2009 to 5.3 percent recorded in the first half of 2010.

Decrease in Direct Vacancy Rate by Submarket 1H10 vs. 2H09

County	Submarket	Size of Market SF (1H10)	2H09	1H10	1H10 vs. 2H09
South	Point Loma/Sports Arena	1,529,099	15.7%	11.0%	-4.7%
South	College	1,282,993	5.7%	2.3%	-3.4%
South	Downtown	2,831,698	10.3%	7.9%	-2.4%
South	South East San Diego	763,879	13.8%	12.1%	-1.7%
South	San Ysidro/Imperial Beach	995,427	2.9%	1.3%	-1.6%
North	San Marcos	2,691,221	11.6%	10.1%	-1.5%
East	Rancho San Diego/Spring Valley	1,382,379	3.9%	2.5%	-1.4%
Central	Kearny Mesa	1,638,979	9.9%	8.8%	-1.1%
North	Oceanside	4,433,358	8.8%	7.7%	-1.1%
North	Encinitas	2,157,768	5.7%	4.7%	-1.0%
North	Vista	2,371,404	8.5%	7.6%	-0.9%
North	Rancho Bernardo	1,938,798	4.6%	3.9%	-0.7%
North	Solana Beach	517,737	4.3%	3.7%	-0.6%
Central	Poway/Scripps	1,951,270	4.3%	3.7%	-0.6%
North	Carlsbad	1,793,348	5.7%	5.3%	-0.4%
East	El Cajon	2,695,877	5.7%	5.3%	-0.4%
South	Chula Vista/Bonita	6,876,270	2.6%	2.3%	-0.3%
Central	Carmel Mount. Ranch/Rancho PQ	1,662,816	3.8%	3.5%	-0.3%

East	Santee	1,645,081	3.3%	3.1%	-0.2%
Central	UTC/La Jolla	2,122,578	1.7%	1.5%	-0.2%
Central	Clairemont/Pacific Beach	1,941,725	6.1%	5.9%	-0.2%
South	Uptown/Hillcrest	499,137	13.0%	12.9%	-0.1%
Central	Mission Valley	2,265,411	1.0%	1.1%	0.1%
North	Fallbrook	473,530	0.7%	0.9%	0.2%
East	La Mesa/Lemon Grove	3,604,193	4.6%	4.9%	0.3%
Central	Del Mar	1,094,179	3.8%	4.4%	0.6%
Central	Mira Mesa/Miramar	2,136,290	4.4%	5.2%	0.8%
North	Escondido	3,944,738	4.7%	6.4%	1.7%
South	National City	1,451,568	4.9%	7.8%	2.9%
Countywide	Countywide	60,692,751	5.9%	5.3%	-0.6%

CONCLUSION

- Compared to the second quarter of 2007 – a couple of months before the official start of this recession – four of 29 retail submarkets countywide have recorded a decrease in direct vacancy rate.
- However, in the last 12 months (1H09 vs. 1H10), 15 of 29 retail submarkets countywide have recorded a decrease in vacancy rates.
- In the last six months (2H09 vs. 1H10), 22 of 29 retail submarkets countywide have recorded a decrease in vacancy rates confirming that the San Diego retail market is performing better than three years ago.
- In the second half of 2010, expect to see some pent-up demand from tenants that have been putting off decisions. Instead of renewing early due to decreasing rents, some tenants have waited as long as possible before committing to new lease terms. The few tenants that are in a position to take advantage of the soft market and bargain rental rents will remain in the driver's seat in 2010 and will continue to shop for new or upgraded locations.