

Report

**FIRST
 QUARTER
 2003**

Market Highlights

- Unemployment in the first quarter of 2003 in San Diego County is 4.4%, which is an increase of 0.3% since the fourth quarter of 2002 and up from the 3.8% we saw a year ago.
- According to The Greater San Diego Commerce Economic Research Bureau, it is estimated that San Diego County added 25,000 new jobs in 2002, and is forecasting 23,000 new jobs to be added to the county in 2003.
- Currently there is 907,007 square feet of Industrial construction underway, and total construction is down about 25% from a year ago.
- Planned Industrial construction in San Diego County is down compared to last year. Currently there is 2,065,919 square feet of Industrial space on the slate as being planned, compared to last year's figure of 2,453,673.
- The Industrial vacancy rate is checking in at 5.80%, which is up from the 5.67% rate during the fourth quarter of 2002. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area, and would explain the 4.69% increase in rental rates since the first quarter of 2002.
- Industrial absorption checked in at 1,287,748 square feet of positive net absorption during first quarter of 2003. This is up over 700% when compared to last year.

INDUSTRIAL MARKET STATISTICS

	1Q2003	4Q2002	1Q2002	% CHANGE VS. 1Q02
Under Construction	907,007	1,025,442	1,202,384	-24.57%
Planned Construction	2,065,919	2,335,810	2,453,673	-15.80%
Vacancy	5.80%	5.67%	4.95%	17.17%
Availability	6.59%	6.55%	6.32%	4.27%
Pricing	\$0.67	\$0.67	\$0.64	4.69%
Net Absorption	1,287,748	28,416	153,815	737.21%

 Compared to
 last quarter:

Vacancy

Absorption

Lease Rates

Construction


San Diego County

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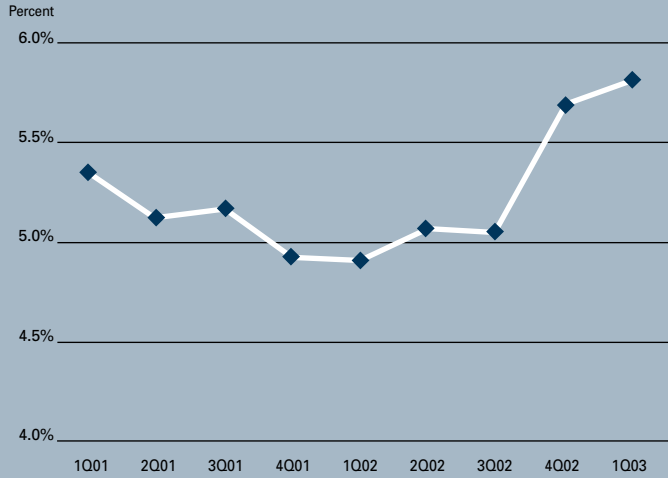
of Market Research

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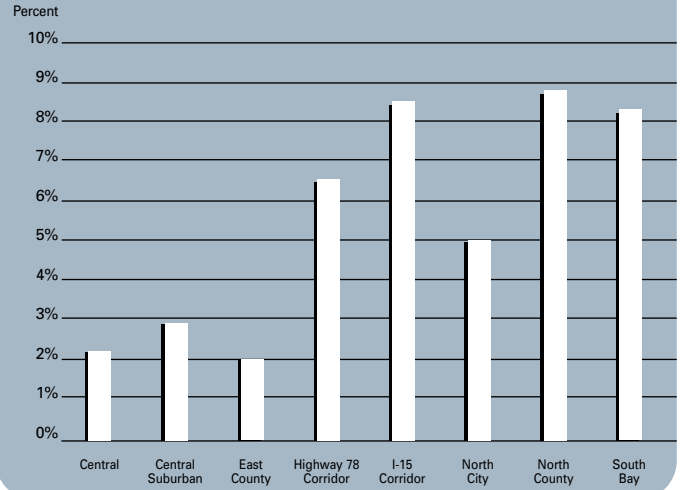
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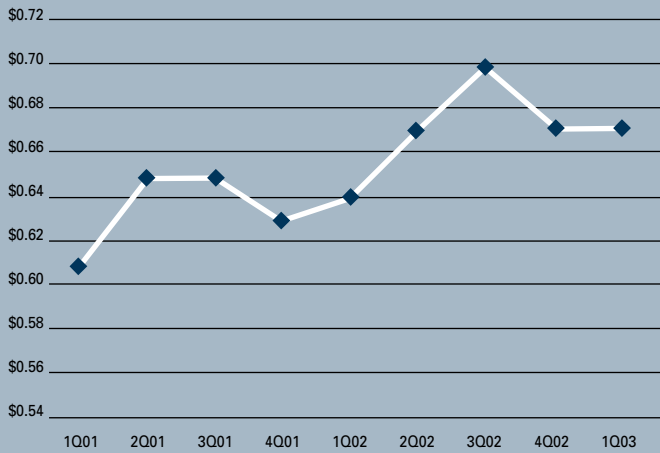
VACANCY RATE



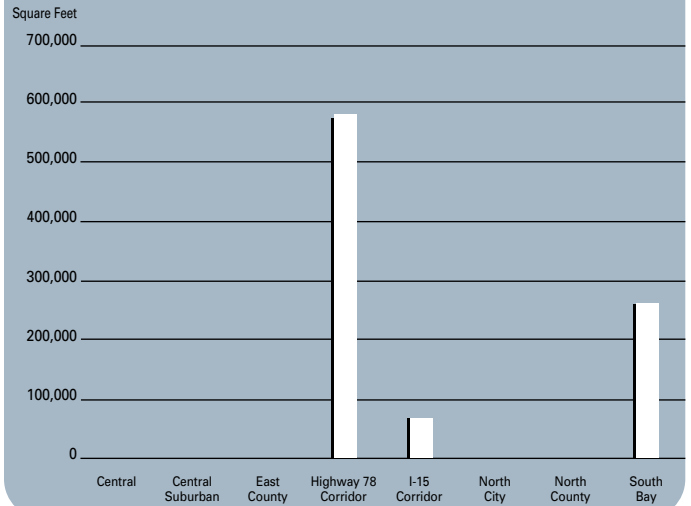
VACANCY RATE BY SUBMARKET



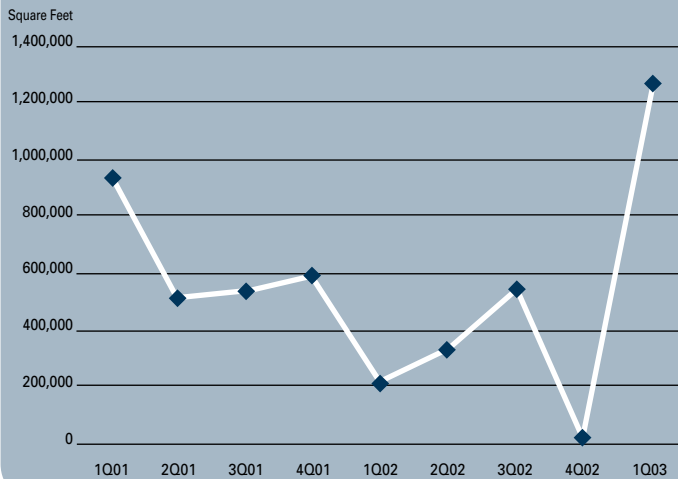
AVERAGE ASKING TRIPLE NET LEASE RATE



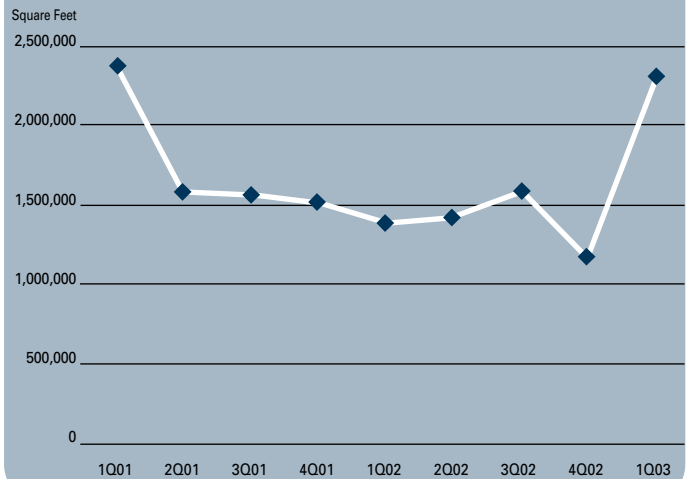
CONSTRUCTION ACTIVITY



NET ABSORPTION



GROSS ABSORPTION



S A N D I E G O C O U N T Y

Industrial product consists of commercial buildings that feature the following: loading docks, ceiling heights greater than 16 feet, less than 30% of the building built-out as office space, and primary use of the building is manufacturing, distribution and/or warehousing.

INVENTORY

VACANCY & ABSORPTION

	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2003	Vacancy with Sublet 1Q2003	Average Asking Lease Rate	Net Absorption 1Q2003	Net Absorption 2002
Central										
Downtown	242	9,004,124	0	0	236,681	2.63%	2.63%	\$0.62	(15,722)	(77,539)
East City	48	1,493,913	0	42,000	0	0.00%	0.00%	\$0.69	13,334	23,386
Central Total	290	10,498,037	0	42,000	236,681	2.25%	2.25%	\$0.64	(2,388)	(54,153)
Central Suburban										
Airport/Sports Arena	74	1,711,724	0	0	81,355	4.75%	4.75%	\$0.98	(3,255)	(37,250)
Kearny Mesa	384	11,870,185	0	78,325	318,959	2.69%	3.11%	\$0.88	33,459	82,233
Mission Gorge	56	1,725,843	0	0	72,954	4.23%	5.04%	\$0.63	(161)	57,370
Rose Canyon/Morena	91	2,585,938	0	0	46,470	1.80%	1.80%	\$0.00	(19,627)	29,828
Central Suburban Total	605	17,893,690	0	78,325	519,738	2.90%	3.26%	\$0.84	10,416	132,181
East County										
El Cajon	221	6,912,193	0	12,000	20,840	0.30%	2.21%	\$0.00	33,398	77,527
La Mesa/Spring Valley	52	1,446,248	0	0	183,885	12.71%	12.71%	\$0.52	(1,666)	(214,214)
Santee/Lakeside	116	3,076,940	0	12,680	19,110	0.62%	0.62%	\$0.65	(9,235)	18,446
East County Total	389	11,435,381	0	24,680	223,835	1.96%	3.11%	\$0.52	22,497	(118,241)
Highway 78 Corridor										
Oceanside	194	5,025,256	37,063	326,800	261,848	5.21%	5.49%	\$0.56	17,844	55,479
San Marcos	224	5,875,628	42,413	0	327,827	5.58%	5.68%	\$0.55	27,179	196,663
Vista/Fallbrook	224	8,382,661	497,550	566,261	674,827	8.05%	10.19%	\$0.60	206,497	348,227
Highway 78 Corridor Total	642	19,283,545	577,026	893,061	1,264,502	6.56%	7.59%	\$0.58	251,520	600,369
I-15 Corridor										
Escondido	236	4,804,535	35,548	0	250,743	5.22%	5.31%	\$0.78	86,737	122,791
Poway/Rancho Penasquitos	143	6,251,636	36,461	77,872	376,598	6.02%	8.86%	\$0.85	71,347	(103,956)
Rancho Bernardo	69	5,532,173	0	0	838,108	15.15%	15.15%	\$0.81	9,582	(343,355)
Scripps Ranch	40	1,017,957	0	0	38,224	3.75%	5.02%	\$0.80	(3,553)	(34,671)
I-15 Corridor Total	488	17,606,301	72,009	77,872	1,503,673	8.54%	9.65%	\$0.82	164,113	(359,191)
North City										
La Jolla	3	291,254	0	0	0	0.00%	0.00%	\$0.00	0	0
Miramar	391	13,087,509	0	52,000	667,025	5.10%	5.62%	\$0.64	127,968	13,136
Sorrento Mesa	97	4,829,143	0	0	256,629	5.31%	5.80%	\$1.04	44,452	(89,555)
Sorrento Valley	74	1,712,731	0	0	98,898	5.77%	5.77%	\$1.11	23,838	(26,081)
UTC Center	6	374,794	0	0	0	0.00%	0.00%	\$0.00	68,000	0
North City Total	571	20,295,431	0	52,000	1,022,552	5.04%	5.49%	\$0.80	264,258	(102,500)
North County										
Carlsbad	226	8,765,113	0	436,081	801,919	9.15%	11.53%	\$0.63	85,421	70,739
North Beach Cities	10	490,579	0	0	17,500	3.57%	3.57%	\$0.00	3,026	0
North County Total	236	9,255,692	0	436,081	819,419	8.85%	11.11%	\$0.63	88,447	70,739
South Bay										
Chula Vista	181	8,394,887	0	202,862	315,046	3.75%	3.86%	\$0.61	(41,250)	71,679
National City	79	3,118,701	0	0	131,398	4.21%	4.21%	\$0.56	(2,968)	(60,516)
Otay Mesa	162	9,140,283	257,972	259,038	1,379,843	15.10%	16.23%	\$0.50	529,203	548,501
San Ysidro	45	1,615,006	0	0	44,500	2.76%	2.76%	\$0.67	3,900	(14,848)
South Bay Total	467	22,268,877	257,972	461,900	1,870,787	8.40%	8.91%	\$0.52	488,885	544,816
San Diego County Total	3,688	128,536,954	907,007	2,065,919	7,461,187	5.80%	6.59%	\$0.67	1,287,748	714,020

This survey consist of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.

**INDUSTRIAL
MARKET
Report**

1ST QUARTER 2003

SUBMARKETS

CENTRAL

Downtown
East City

CENTRAL SUBURBAN

Airport/Sports Arena
Kearny Mesa
Mission Gorge
Rose Canyon/Morena

EAST COUNTY

El Cajon
La Mesa/Spring Valley
Santee/Lakeside

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Escondido
Poway/Rancho Penasquitos
Rancho Bernardo
Scripps Ranch

NORTH CITY

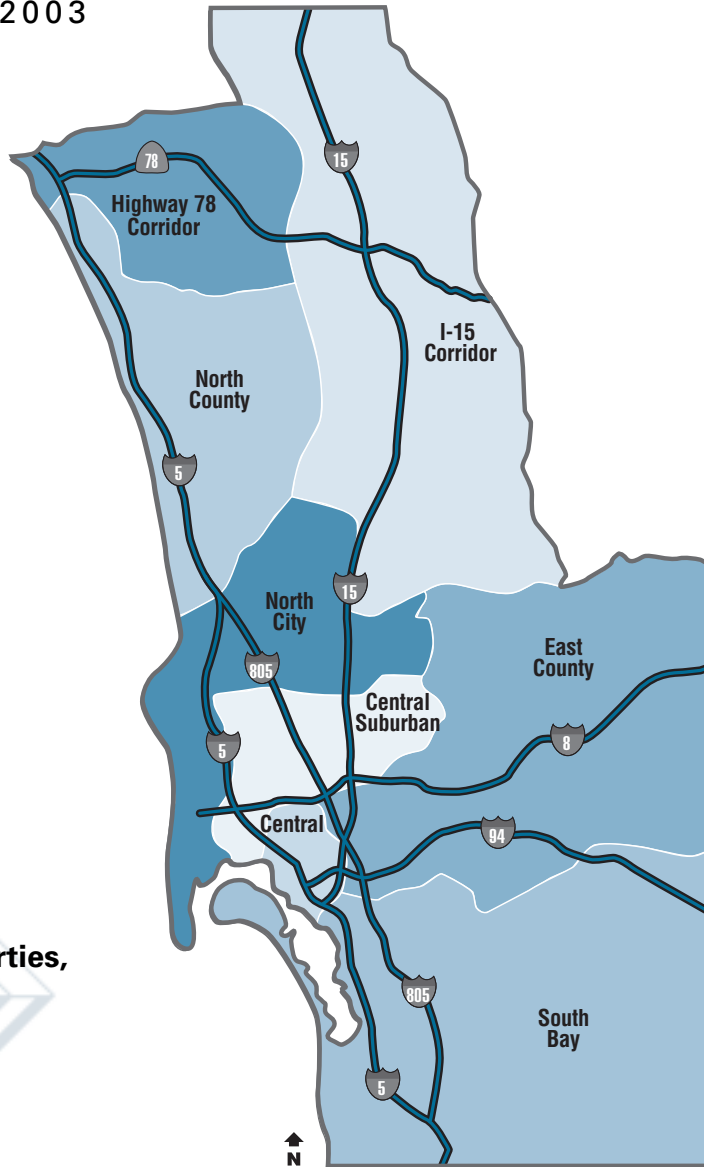
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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