

# INDUSTRIAL MARKET REPORT

FIRST  
QUARTER  
2005

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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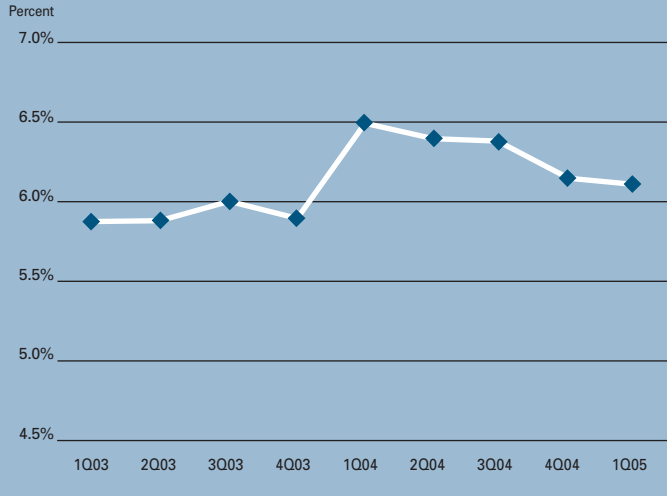
## MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2005 in San Diego County is 4.6%, which is a decrease of 0.1% since the fourth quarter of 2004 and down from the 5.0% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 997,703 square feet of Industrial construction underway, and total construction is about the same as it was a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 3,712,704 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,379,712.
- ◆ The Industrial vacancy rate is checking in at 6.09%, which is down from last quarter when it was 6.15%. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area.
- ◆ Rental rates are expected to increase 7 to 10% in 2005 as the economy improves.
- ◆ Industrial absorption checked in at 435,141 square feet of positive net absorption during first quarter of 2005, giving the San Diego Industrial Market a great start for 2005.

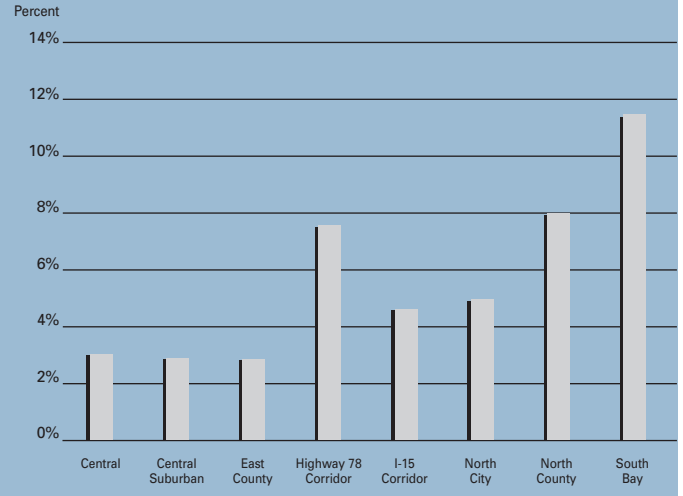
## INDUSTRIAL MARKET STATISTICS

	1Q2005	4Q2004	1Q2004	% CHANGE VS. 1Q04
Under Construction	997,703	1,531,904	993,776	0.40%
Planned Construction	3,712,704	3,780,640	3,379,712	9.85%
Vacancy	6.09%	6.15%	6.50%	-6.31%
Availability	8.00%	7.99%	8.53%	-6.21%
Pricing	\$0.68	\$0.65	\$0.64	6.25%
Net Absorption	435,141	1,553,489	90,004	383.47%

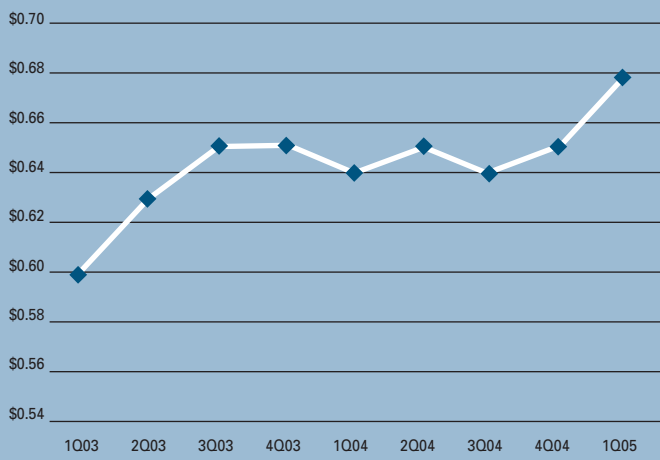
## VACANCY RATE



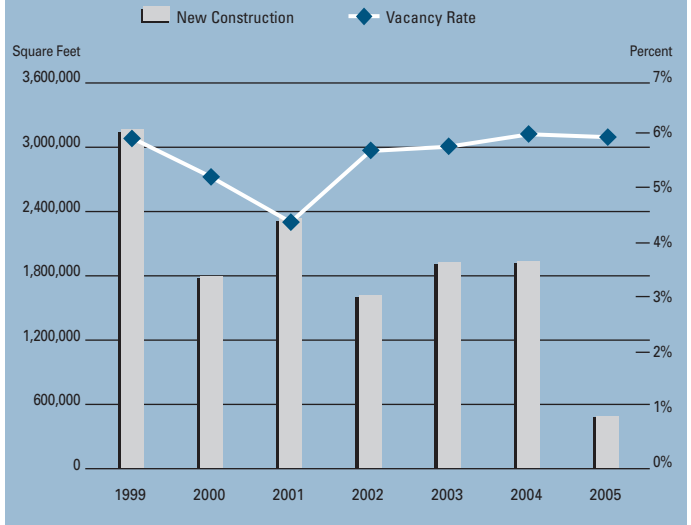
## VACANCY RATE BY SUBMARKET



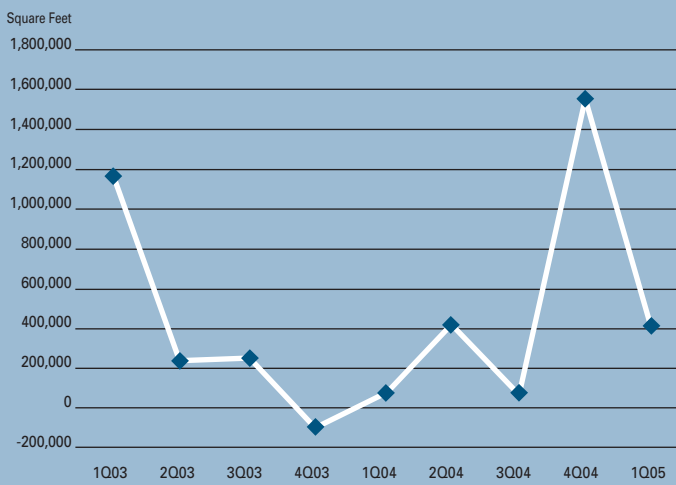
## AVERAGE ASKING TRIPLE NET LEASE RATE



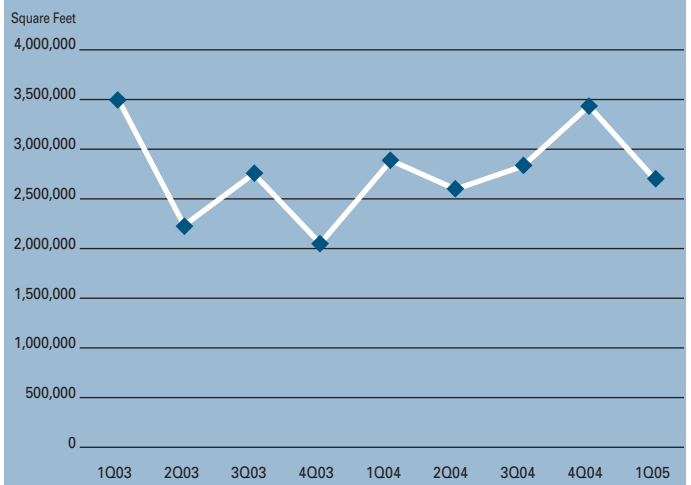
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



SAN DIEGO COUNTY

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 1Q2005	Total Availability 1Q2005	Average Asking Lease Rate	Net Absorption 1Q2005	Net Absorption 2004
<b>Central</b>										
Downtown	235	8,726,271	0	0	245,170	2.81%	364,707	\$0.66	(88,187)	(2,799)
East City	46	1,471,967	0	83,000	60,520	4.11%	100,520	\$0.61	0	(29,600)
<b>Central Total</b>	<b>281</b>	<b>10,198,238</b>	<b>0</b>	<b>83,000</b>	<b>305,690</b>	<b>3.00%</b>	<b>465,227</b>	<b>\$0.65</b>	<b>(88,187)</b>	<b>(32,399)</b>
<b>Central Suburban</b>										
Airport/Sports Arena	74	1,789,188	0	0	52,575	2.94%	78,575	\$1.25	5,700	9,243
Kearny Mesa	377	11,665,944	0	45,000	327,749	2.81%	705,254	\$0.88	(32,060)	84,523
Mission Gorge	55	1,718,343	0	0	70,878	4.12%	171,151	\$0.72	(12,311)	10,931
Rose Canyon/Morena	92	2,584,940	0	0	47,280	1.83%	47,280	\$1.10	(33,325)	21,617
<b>Central Suburban Total</b>	<b>598</b>	<b>17,758,415</b>	<b>0</b>	<b>45,000</b>	<b>498,482</b>	<b>2.81%</b>	<b>1,002,260</b>	<b>\$0.86</b>	<b>(71,996)</b>	<b>126,314</b>
<b>East County</b>										
El Cajon	224	6,978,950	0	12,000	263,970	3.78%	424,906	\$0.60	(21,817)	(40,476)
La Mesa/Spring Valley	52	1,372,830	0	0	51,404	3.74%	67,209	\$0.75	14,700	58,396
Santee/Lakeside	125	3,335,331	0	104,334	16,500	0.49%	26,040	\$0.00	(4,730)	241,766
<b>East County Total</b>	<b>401</b>	<b>11,687,111</b>	<b>0</b>	<b>116,334</b>	<b>331,874</b>	<b>2.84%</b>	<b>518,155</b>	<b>\$0.67</b>	<b>(11,847)</b>	<b>259,686</b>
<b>Highway 78 Corridor</b>										
Oceanside	210	5,343,499	111,613	1,410,542	524,787	9.82%	540,210	\$0.59	(72,892)	70,270
San Marcos	237	6,425,004	0	40,000	212,777	3.31%	262,630	\$0.74	208,358	114,378
Vista/Fallbrook	252	9,437,475	0	311,403	853,669	9.05%	1,244,138	\$0.64	39,236	372,173
<b>Highway 78 Corridor Total</b>	<b>699</b>	<b>21,205,978</b>	<b>111,613</b>	<b>1,761,945</b>	<b>1,591,233</b>	<b>7.50%</b>	<b>2,046,978</b>	<b>\$0.63</b>	<b>174,702</b>	<b>556,821</b>
<b>I-15 Corridor</b>										
Escondido	247	5,018,270	0	250,000	225,264	4.49%	254,070	\$1.10	23,099	179,785
Poway	145	6,326,575	418,945	142,065	255,844	4.04%	488,724	\$0.69	37,159	255,939
Rancho Bernardo	63	5,467,582	0	0	274,556	5.02%	343,515	\$0.88	172,311	454,573
Scripps Ranch	36	903,577	0	0	48,482	5.37%	157,784	\$0.87	32,230	(8,870)
<b>I-15 Corridor Total</b>	<b>491</b>	<b>17,716,004</b>	<b>418,945</b>	<b>392,065</b>	<b>804,146</b>	<b>4.54%</b>	<b>1,244,093</b>	<b>\$0.87</b>	<b>264,799</b>	<b>881,427</b>
<b>North City</b>										
Miramar	380	13,018,688	0	200,000	529,800	4.07%	882,233	\$0.68	14,584	69,135
Sorrento Mesa	93	4,791,873	0	0	354,704	7.40%	363,068	\$0.95	(131,602)	193,015
Sorrento Valley	68	1,580,069	0	0	83,785	5.30%	159,039	\$1.34	41,894	5,448
UTC	6	323,110	0	0	0	0.00%	0	\$0.00	0	16,316
<b>North City Total</b>	<b>547</b>	<b>19,713,740</b>	<b>0</b>	<b>200,000</b>	<b>968,289</b>	<b>4.91%</b>	<b>1,404,340</b>	<b>\$0.77</b>	<b>(75,124)</b>	<b>283,914</b>
<b>North County</b>										
Carlsbad	213	8,447,732	29,898	34,840	711,777	8.43%	799,595	\$0.74	7,652	267,152
North Beach Cities	10	494,270	0	0	8,243	1.67%	8,243	\$0.00	0	(7,243)
<b>North County Total</b>	<b>223</b>	<b>8,942,002</b>	<b>29,898</b>	<b>34,840</b>	<b>720,020</b>	<b>8.05%</b>	<b>807,838</b>	<b>\$0.74</b>	<b>7,652</b>	<b>259,909</b>
<b>South Bay</b>										
Chula Vista	192	8,775,449	61,651	35,855	538,921	6.14%	634,325	\$0.74	310,631	(308,130)
National City	78	3,093,051	0	0	189,144	6.12%	189,144	\$0.59	(35,020)	(15,650)
Otay Mesa	198	10,728,700	375,596	1,019,544	1,978,636	18.44%	2,115,796	\$0.53	(37,678)	217,727
San Ysidro	46	1,756,807	0	24,121	92,965	5.29%	92,965	\$0.56	(2,791)	27,184
<b>South Bay Total</b>	<b>514</b>	<b>24,354,007</b>	<b>437,247</b>	<b>1,079,520</b>	<b>2,799,666</b>	<b>11.50%</b>	<b>3,032,230</b>	<b>\$0.56</b>	<b>235,142</b>	<b>(78,869)</b>
<b>San Diego County Total</b>	<b>3,754</b>	<b>131,575,495</b>	<b>997,703</b>	<b>3,712,704</b>	<b>8,019,400</b>	<b>6.09%</b>	<b>10,521,121</b>	<b>\$0.68</b>	<b>435,141</b>	<b>2,256,803</b>

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

# INDUSTRIAL MARKET REPORT

FIRST QUARTER 2005

## 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 Bernardo  
Scripps Ranch

### NORTH CITY

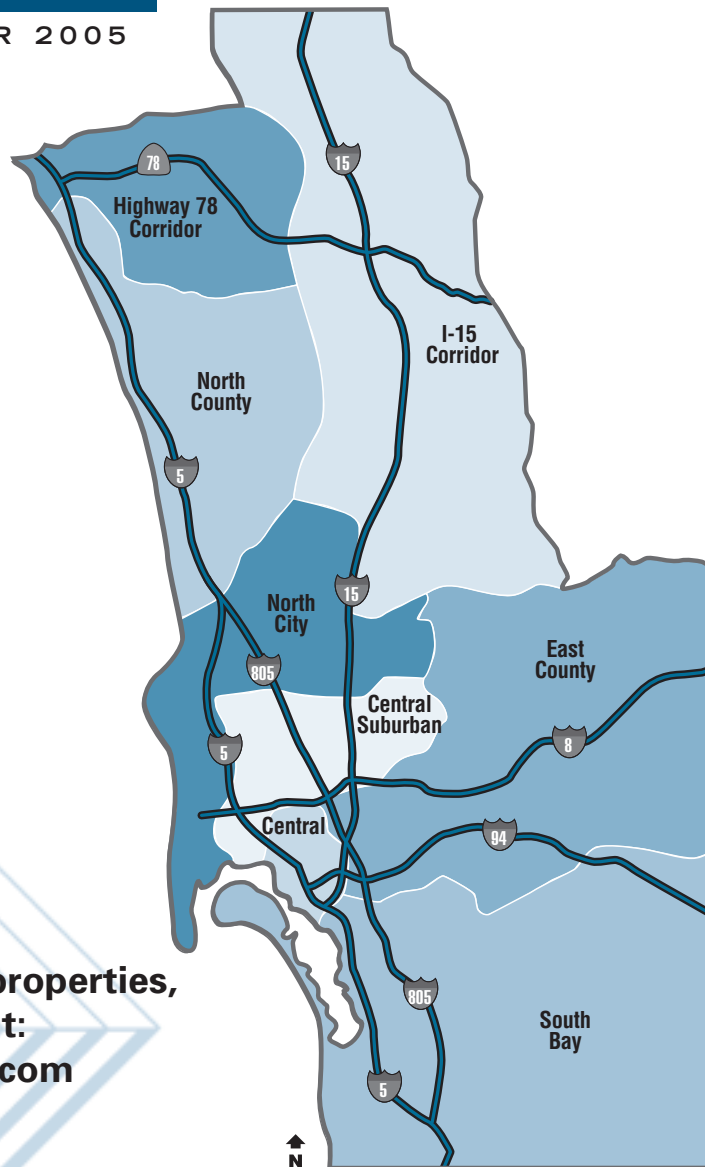
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC

### NORTH COUNTY

Carlsbad  
North Beach Cities

### SOUTH BAY

Chula Vista  
National City  
Otay Mesa  
San Ysidro



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For Further Information:

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