

INDUSTRIAL MARKET REPORT

FIRST
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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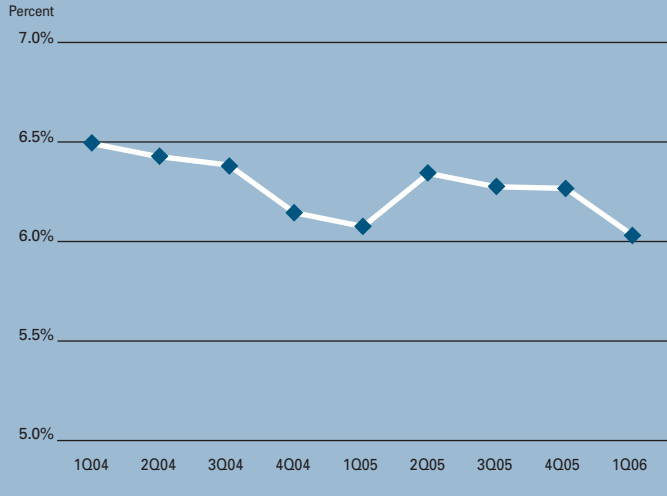
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2006 in San Diego County is 4.1%, which is a decrease of 0.1% since the fourth quarter of 2005 and down from the 4.7% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,800 new non-farm jobs in 2005, and they are forecasting 22,600 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 2,101,115 square feet of Industrial construction underway, and total construction is more than double compared to a year ago, an increase of 110.6%.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 3,470,170 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,712,704.
- ◆ The Industrial vacancy rate is checking in at 6.03%, which is about the same as a year ago when it was 6.09%. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area and is putting upward pressure on lease rates.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.70, which is a 2.94% increase over last year's first quarter rate of \$.68. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to expand.
- ◆ Industrial absorption checked in at 423,183 square feet of positive net absorption during first quarter of 2006, giving the San Diego Industrial Market a total of 4.6 million square feet of positive absorption for the last 9 quarters.

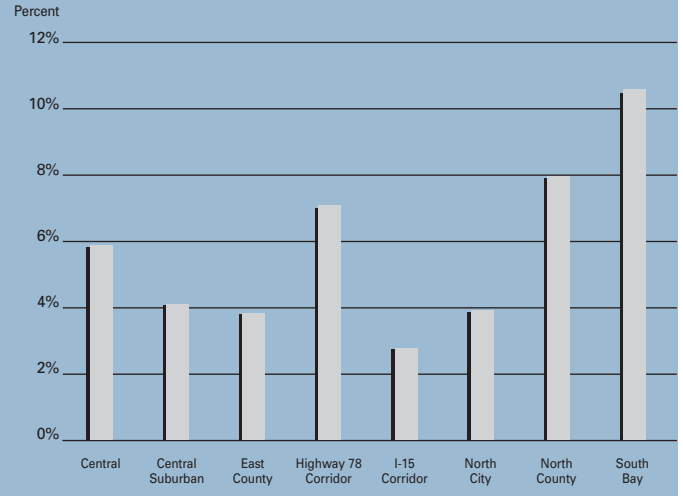
INDUSTRIAL MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	2,101,115	1,234,017	997,703	110.60%
Planned Construction	3,470,170	3,523,696	3,712,704	-6.53%
Vacancy	6.03%	6.25%	6.09%	-0.99%
Availability	7.32%	7.80%	8.00%	-8.50%
Pricing	\$0.70	\$0.69	\$0.68	2.94%
Net Absorption	423,183	361,246	435,141	-2.75%

VACANCY RATE



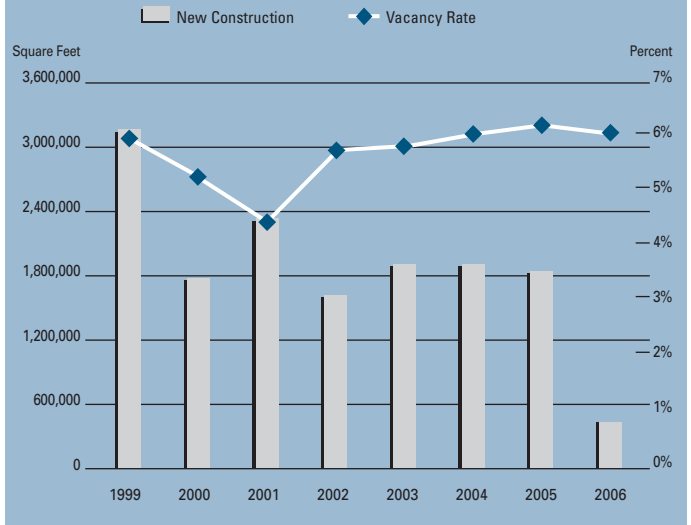
VACANCY RATE BY SUBMARKET



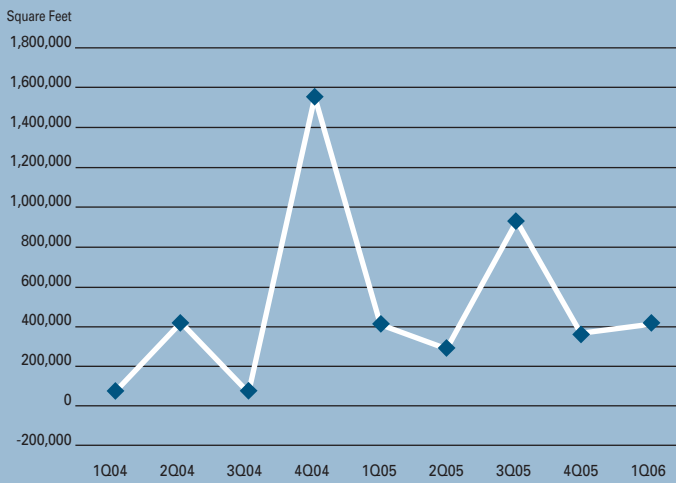
AVERAGE ASKING TRIPLE NET LEASE RATE



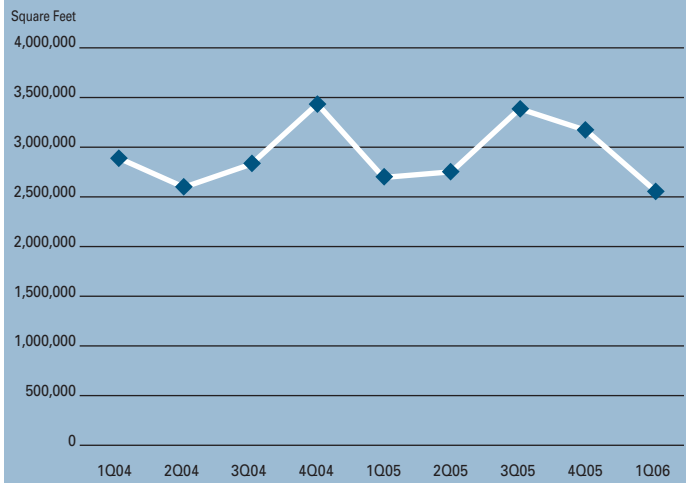
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 1Q2006	Total Availability 4Q2005	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005
Central										
Downtown	199	6,919,583	0	0	410,284	5.93%	435,825	\$0.64	94,182	(328,061)
East City	47	1,576,967	0	30,000	95,065	6.03%	155,065	\$0.83	(16,000)	(18,545)
Central Total	246	8,496,550	0	30,000	505,349	5.95%	590,890	\$0.70	78,182	(346,606)
Central Suburban										
Airport/Sports Arena	79	2,054,221	0	0	77,691	3.78%	104,691	\$0.76	(4,570)	15,154
Kearny Mesa	363	11,213,524	56,000	0	624,340	5.57%	637,974	\$0.91	(204,697)	(81,043)
Mission Gorge	56	1,736,343	0	0	50,184	2.89%	101,072	\$0.84	103,127	(94,758)
Rose Canyon/Morena	102	3,296,969	0	0	13,028	0.40%	17,028	\$1.36	14,280	(8,128)
Central Suburban Total	600	18,301,057	56,000	0	765,243	4.18%	860,765	\$0.88	(91,860)	(168,775)
East County										
El Cajon	216	6,750,404	0	0	290,836	4.31%	290,836	\$0.76	69,234	(137,831)
La Mesa/Spring Valley	53	1,715,719	0	0	30,104	1.75%	30,104	\$0.69	4,505	47,300
Santee/Lakeside	129	3,481,888	0	12,680	138,784	3.99%	138,784	\$1.25	18,948	(20,286)
East County Total	398	11,948,011	0	12,680	459,724	3.85%	459,724	\$0.78	92,687	(110,817)
Highway 78 Corridor										
Oceanside	228	6,121,944	657,837	777,248	339,360	5.54%	356,801	\$0.62	100,216	256,919
San Marcos	253	7,038,872	0	55,000	503,709	7.16%	606,865	\$0.61	(88,320)	25,141
Vista/Fallbrook	246	9,544,807	228,796	142,200	744,217	7.80%	1,125,066	\$0.69	(4,535)	102,942
Highway 78 Corridor Total	727	22,705,623	886,633	974,448	1,587,286	6.99%	2,088,732	\$0.66	7,361	385,002
I-15 Corridor										
Escondido	244	4,988,936	17,000	250,000	138,532	2.78%	281,211	\$0.75	63,489	(71,724)
Poway	151	6,726,546	115,674	353,100	84,107	1.25%	250,185	\$0.75	22,242	612,989
Rancho Bernardo	61	5,109,973	0	0	216,834	4.24%	271,901	\$0.91	(7,806)	237,562
Scripps Ranch	35	880,950	0	0	70,296	7.98%	80,644	\$1.07	(29,175)	44,460
I-15 Corridor Total	491	17,706,405	132,674	603,100	509,769	2.88%	883,941	\$0.86	48,750	823,287
North City										
Miramar	371	12,975,510	48,480	0	399,126	3.08%	646,468	\$0.79	195,510	217,104
Sorrento Mesa	89	4,738,000	0	0	302,931	6.39%	563,998	\$0.85	21,410	(76,876)
Sorrento Valley	65	1,531,120	0	0	71,699	4.68%	89,550	\$1.48	10,959	55,433
UTC	4	265,000	0	0	0	0.00%	0	\$0.00	0	0
North City Total	529	19,509,630	48,480	0	773,756	3.97%	1,300,016	\$0.86	227,879	195,661
North County										
Carlsbad	212	8,333,618	24,148	168,000	715,031	8.58%	715,031	\$0.83	(114,050)	155,140
North Beach Cities	10	496,570	0	0	0	0.00%	0	\$0.00	0	8,243
North County Total	222	8,830,188	24,148	168,000	715,031	8.10%	715,031	\$0.83	(114,050)	163,383
South Bay										
Chula Vista	191	8,743,480	662,957	115,000	272,223	3.11%	281,194	\$0.75	16,243	696,130
National City	79	3,091,725	0	0	103,107	3.33%	205,975	\$0.66	11,565	(65,747)
Otay Mesa	213	11,399,077	290,223	1,542,821	2,214,404	19.43%	2,214,404	\$0.54	195,603	374,794
San Ysidro	44	1,755,187	0	24,121	87,398	4.98%	87,398	\$0.66	(39,677)	48,274
East County	7	159,266	0	0	9,500	5.96%	21,772	\$0.00	(9,500)	4,000
South Bay Total	534	25,148,735	953,180	1,681,942	2,686,632	10.68%	2,810,743	\$0.57	174,234	1,057,451
San Diego County Total	3,747	132,646,199	2,101,115	3,470,170	8,002,790	6.03%	9,709,842	\$0.70	423,183	1,998,586

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

INDUSTRIAL MARKET REPORT

FIRST QUARTER 2006

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

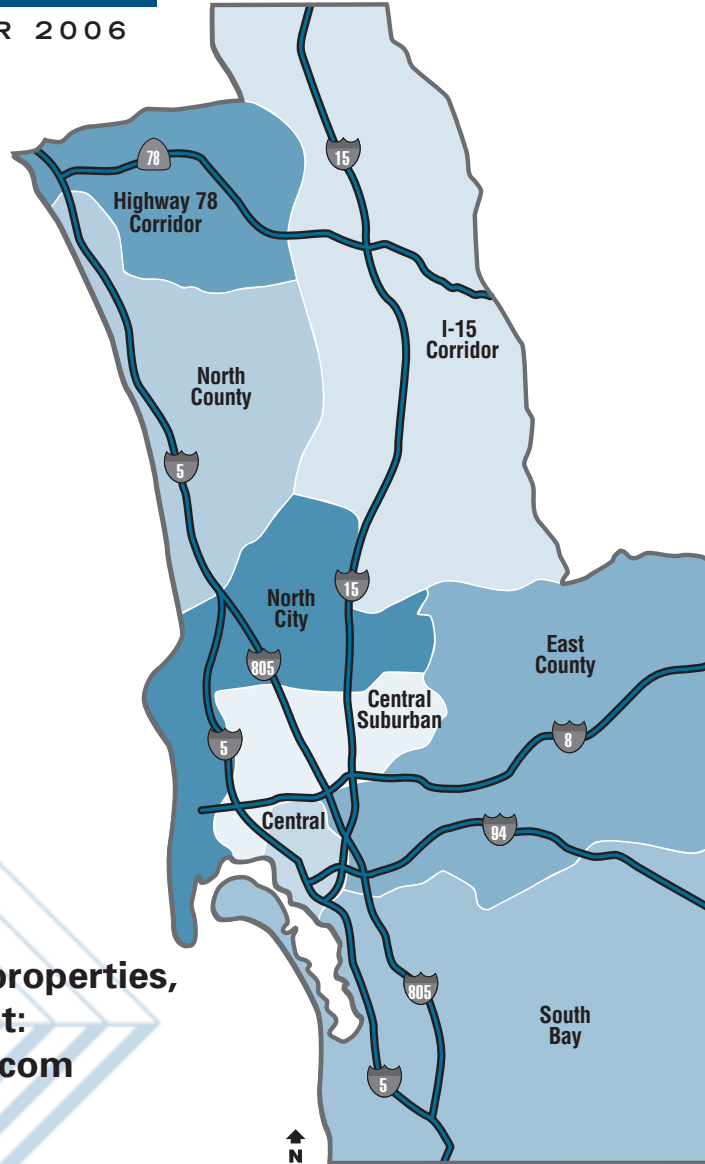
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro
East County



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