

INDUSTRIAL MARKET REPORT

FIRST QUARTER 2007

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2007 in San Diego County is 4.2%, which is 0.3% higher than it was when compared to the fourth quarter of 2006, and the same as it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 1,736,269 square feet of Industrial construction underway, and total construction is down 17.36% when compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 4,059,193 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,470,170.
- ◆ The Industrial vacancy rate is checking in at 6.18%, which is higher than it was a year ago when it was 6.03%. 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 \$0.73, which is an increase of 4.29% when compared to last years figure. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to expand.
- ◆ Industrial absorption checked in at 517,055 square feet of negative net absorption during the first quarter of 2007, giving the San Diego Industrial Market a total of 6.4 million square feet of positive absorption for the last 3 years.

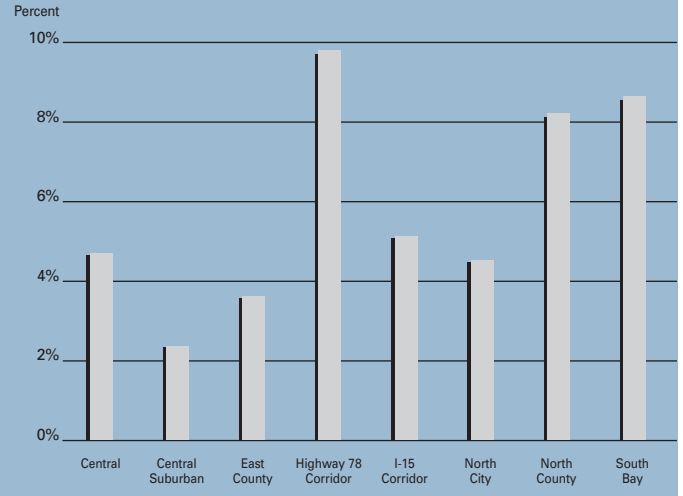
INDUSTRIAL MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	1,736,269	1,565,463	2,101,115	-17.36%
Planned Construction	4,059,193	4,262,876	3,470,170	16.97%
Vacancy	6.18%	5.75%	6.03%	2.49%
Availability	7.41%	\$7.09	7.32%	1.23%
Pricing	\$0.73	\$0.70	\$0.70	4.29%
Net Absorption	-517,055	1,148,560	423,183	N/A

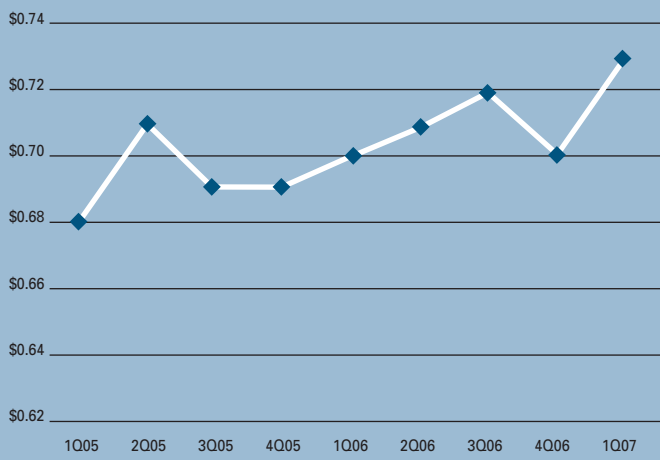
VACANCY RATE



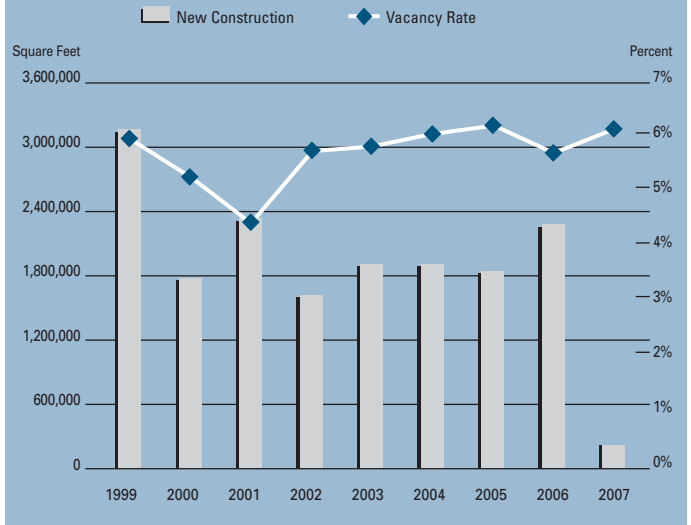
VACANCY RATE BY SUBMARKET



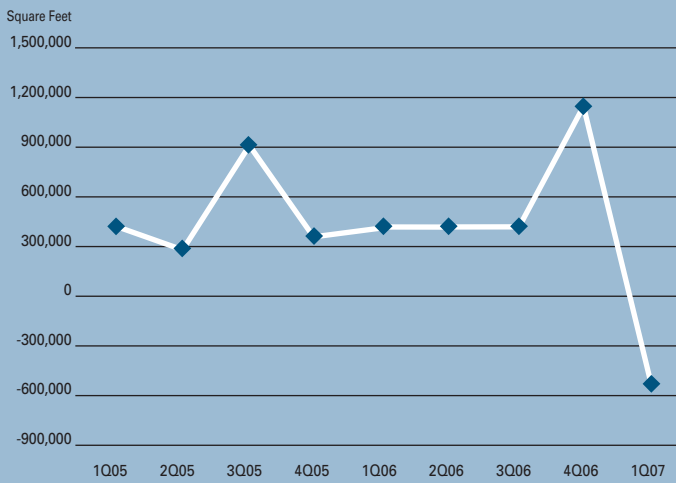
AVERAGE ASKING TRIPLE NET LEASE RATE



ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



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 1Q2007	Total Availability 1Q2007	Average Asking Lease Rate	Net Absorption 1Q2007	Net Absorption 2006
Central										
Downtown	207	7,240,564	0	0	416,214	5.75%	446,749	\$0.62	(31,041)	117,491
East City	47	1,488,775	0	30,000	3,100	0.21%	45,830	\$0.00	0	75,965
Central Total	254	8,729,339	0	30,000	419,314	4.80%	492,579	\$0.62	(31,041)	193,456
Central Suburban										
Airport/Sports Arena	87	2,196,532	0	92,548	15,706	0.72%	73,468	\$0.76	20,725	50,690
Kearny Mesa	366	11,382,914	0	0	336,456	2.96%	372,644	\$1.04	(36,798)	177,485
Mission Gorge	59	1,966,043	0	0	106,249	5.40%	121,949	\$0.79	(15,409)	60,471
Rose Canyon/Morena	103	3,606,003	0	0	25,710	0.71%	8,833	\$0.97	(5,731)	10,629
Central Suburban Total	615	19,151,492	0	92,548	484,121	2.53%	576,894	\$0.92	(37,213)	299,275
East County										
El Cajon	277	8,460,793	12,758	0	257,974	3.05%	309,213	\$0.90	25,565	85,247
La Mesa/Spring Valley	48	1,345,382	0	0	38,484	2.86%	68,344	\$0.70	373	(3,748)
Santee/Lakeside	158	4,032,280	11,931	312,680	204,788	5.08%	322,379	\$0.75	(84,889)	229,349
East County	8	221,809	0	0	0	0.00%	16,272	\$0.00	9,500	0
East County Total	491	14,060,264	24,689	312,680	501,246	3.56%	716,208	\$0.82	-49,451	310,848
Highway 78 Corridor										
Oceanside	262	7,224,774	114,036	1,044,117	1,015,597	14.06%	990,055	\$0.74	(57,282)	301,160
San Marcos	274	7,590,619	0	1,096,747	463,574	6.11%	527,962	\$0.62	(99,629)	50,742
Vista/Fallbrook	258	9,941,466	74,468	320,426	950,661	9.56%	992,629	\$0.73	(5,550)	29,642
Highway 78 Corridor Total	794	24,756,859	188,504	2,461,290	2,429,832	9.81%	2,510,646	\$0.71	(162,461)	381,544
I-15 Corridor										
Escondido	269	5,759,116	71,250	250,000	168,491	2.93%	255,640	\$0.88	92,605	(236)
Poway	153	6,769,180	40,702	385,500	341,575	5.05%	455,692	\$0.88	(204,341)	98,980
Rancho Bernardo	60	5,051,063	0	0	310,255	6.14%	398,007	\$0.86	13,724	(114,951)
Scripps Ranch	31	808,116	0	0	117,542	14.55%	95,098	\$1.03	(35,756)	(51,013)
I-15 Corridor Total	513	18,387,475	111,952	635,500	937,863	5.10%	1,204,437	\$0.89	(133,768)	(67,220)
North City										
Miramar	404	14,277,328	0	0	531,620	3.72%	828,658	\$0.84	(26,449)	201,966
Sorrento Mesa	89	4,825,335	20,162	0	311,520	6.46%	426,642	\$0.99	131,986	(77,680)
Sorrento Valley	67	1,617,370	0	0	54,090	3.34%	59,060	\$0.00	9,880	33,623
UTC	5	281,064	0	0	0	0.00%	0	\$0.00	0	0
North City Total	565	21,001,097	20,162	0	897,230	4.27%	1,314,360	\$0.88	115,417	157,909
North County										
Carlsbad	216	8,951,616	0	26,054	788,186	8.80%	807,715	\$0.93	(59,524)	171,012
North Beach Cities	15	516,997	0	0	0	0.00%	0	\$0.00	0	0
North County Total	231	9,468,613	0	26,054	788,186	8.32%	807,715	\$0.93	(59,524)	171,012
South Bay										
Chula Vista	196	8,228,066	183,557	65,000	387,526	4.71%	471,830	\$0.80	(155,365)	71,014
National City	83	3,643,825	0	0	141,065	3.87%	212,475	\$0.65	(79,150)	59,907
Otay Mesa	227	12,159,307	1,207,405	412,000	1,633,544	13.43%	1,978,030	\$0.58	100,653	1,081,429
San Ysidro	48	1,743,163	0	24,121	108,857	6.24%	187,804	\$0.63	(25,152)	14,255
South Bay Total	554	25,774,361	1,390,962	501,121	2,270,992	8.81%	2,850,139	\$0.61	(159,014)	1,226,605
San Diego County Total	4,017	141,329,500	1,736,269	4,059,193	8,728,784	6.18%	10,472,978	\$0.73	(517,055)	2,673,429

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

INDUSTRIAL MARKET REPORT

FIRST QUARTER 2007

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
East County

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Escondido
Poway
Rancho Bernardo
Scripps Ranch

NORTH CITY

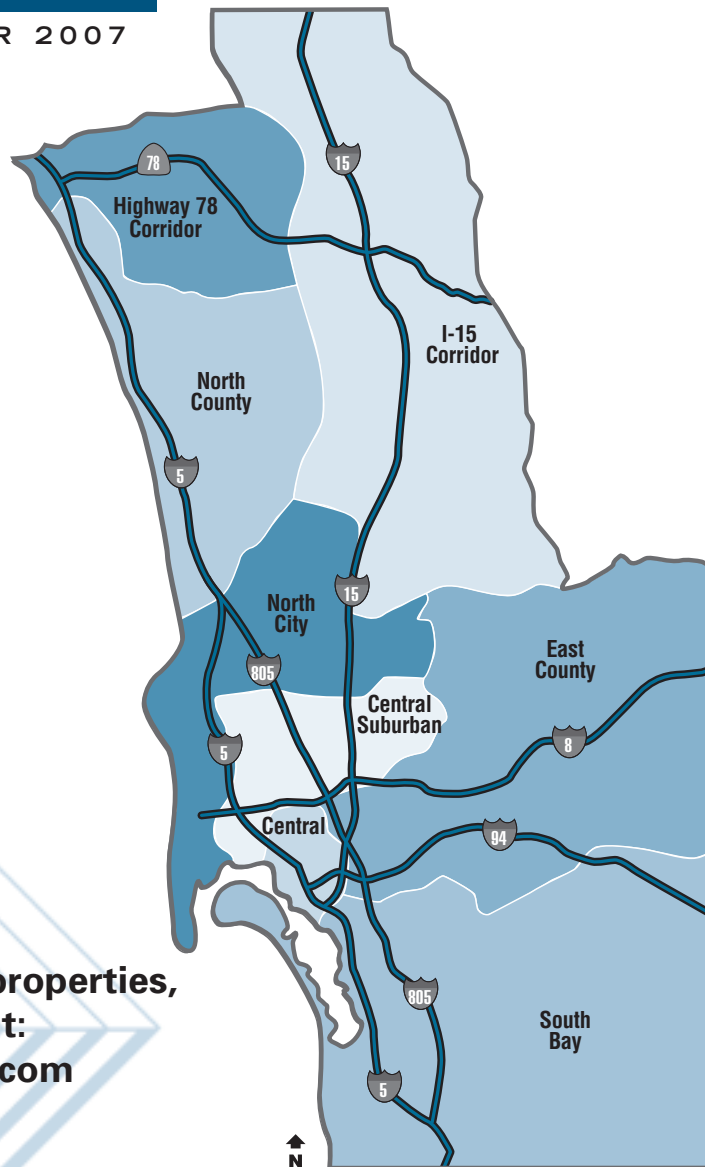
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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