Industrial Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy UP

Net Absorption DOWN

Lease Rates DOWN

Transactions DOWN

Construction DOWN

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CORFAC International

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Market Highlights

- The San Diego County Industrial market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the industrial market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- The Industrial vacancy rate was recorded at 7.09% for the first quarter of 2009, which is higher than it was a year ago when it was 6.08%. This can be attributed to the new product that was delivered to the market this quarter. The lowest vacancy rate in the county can be found in the Central Suburban submarket, coming in at 3.20%.
- The average asking Triple Net lease rate per month per foot in San Diego County is currently at $0.74, which is one cent higher when compared to last year's figure of $0.73. The highest rates in the county can be found in the Central Suburban and North County submarkets, where the average asking Triple Net lease rates is $0.99 per square foot respectively. Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.
- Industrial net absorption registered 104,695 square feet of positive net absorption for the first quarter of 2009. Most of the positive absorption occurred in the South Bay submarket of Otay Mesa, 451,266sf.
- The level of activity registered at 1.7 million square feet for the first quarter of 2009. This is down from the 2.4 million square feet of activity when compared to the same quarter last year, but still below the 2008 average of 2.4 million square feet per quarter. This recent drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics. The recent lack of activity can be tied to the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.
- According to the State of California Employment Development Department, San Diego County lost 37,900 payroll jobs over the last twelve months. Between January 2009 and February 2009 San Diego County lost 2,700 jobs, mostly in the retail trade, transportation & utilities and construction sectors.
- The unemployment rate in San Diego County was 8.8% in February 2009. This is up from a revised 8.7% percent in January 2009, and above the year ago estimate of 5.0%. This compares with an unadjusted unemployment rate of 10.9 percent for California and 8.9 percent for the nation during the same period.
- Currently there is 9,951 square feet of Industrial construction underway, and total construction is down just over 98.95% when compared to a year ago. This slow down is due to increasing land and construction costs and the general slow down of the US economic environment.
- Planned Industrial construction in San Diego County is up compared to last year, due to many projects being put on hold. Currently there is 2.78 million square feet of Industrial space on the slate as being planned, compared to last year's figure of 2.24 million square feet.

INDUSTRIAL MARKET OVERVIEW

	1Q2009	4Q2008	1Q2008	% CHANGE VS. 1Q08
Under Construction	9,951	566,265	944,091	-98.95%
Planned Construction	2,781,472	2,940,221	2,235,478	24.42%
Vacancy	7.09%	6.79%	6.08%	16.61%
Availability	10.21%	9.28%	7.99%	27.78%
Avg. Ask Lease Rate	$0.74	$0.76	$0.73	1.37%
Transactions	1,718,853	1,834,301	2,385,904	-27.96%
Net Absorption	104,695	-502,261	-455,612	N/A

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RECENT TRANSACTIONS

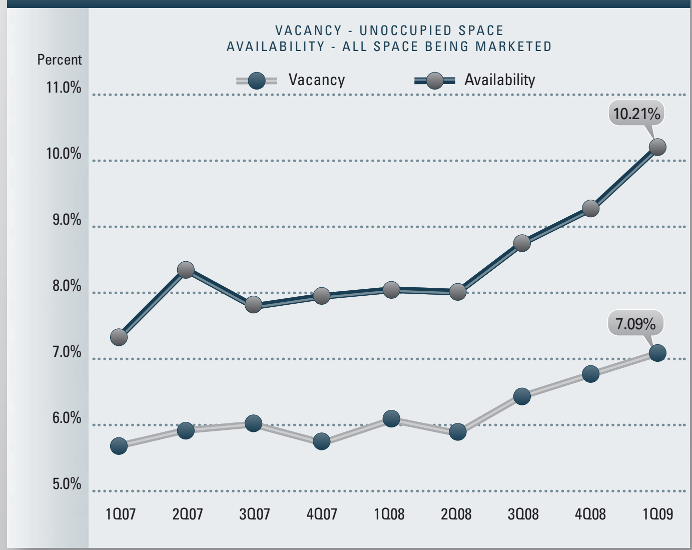
Sales Transactions

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
9020 Activity Road - 4 Properties	Miramar	251,318	$26,210,000	A & B Properties	AMB Property Corporation
692-694 Rancheros Drive	San Marcos	21,023	$3,500,000	Shannon Smith	Roger R Kuske
4153-4183 Market Street	Downtown	34,000	$3,350,000	Center of Employment Training	Treviso, LP
13801 Daneilson Street	Poway	14,142	$2,875,000	Discount Tire Company	Jalal & Mary Moussa

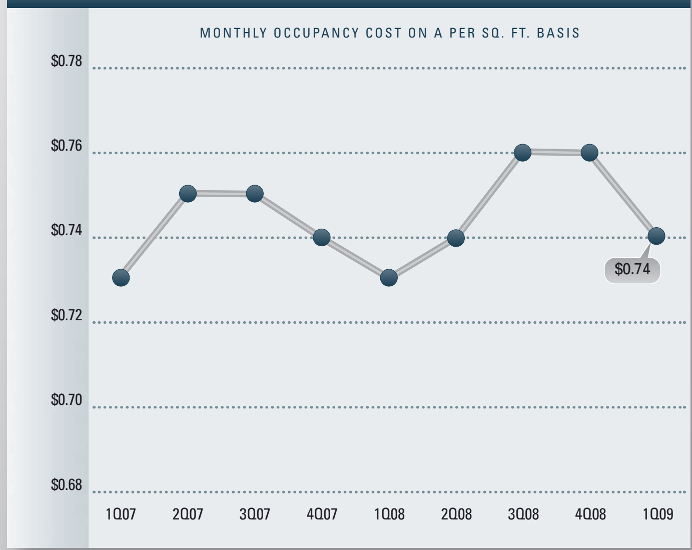
Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2980 Scott Street	Vista	126,715	February-09	AutoGenomics, Inc.	PCCP DJ Ortho, LLC
9850 Distribution Ave.	Miramar	79,744	February-09	San Diego Food Bank Corporation	San Diego Food Bank Corporation
12131 Community Road	Poway	58,899	March-09	L-3 Communication Dynamic Positioning	Pomerado Leasing No. 2 LP
2777 Loker Ave. West	Carlsbad	32,362	March-09	N/A	Whiteflag, LLC

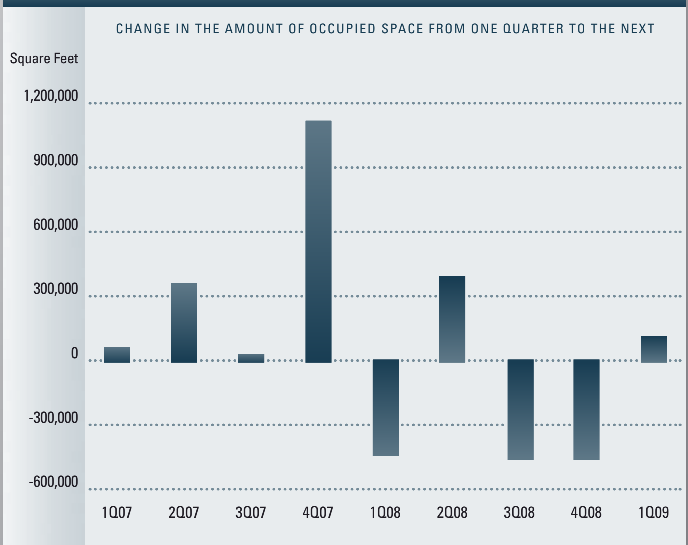
VACANCY & AVAILABILITY RATE



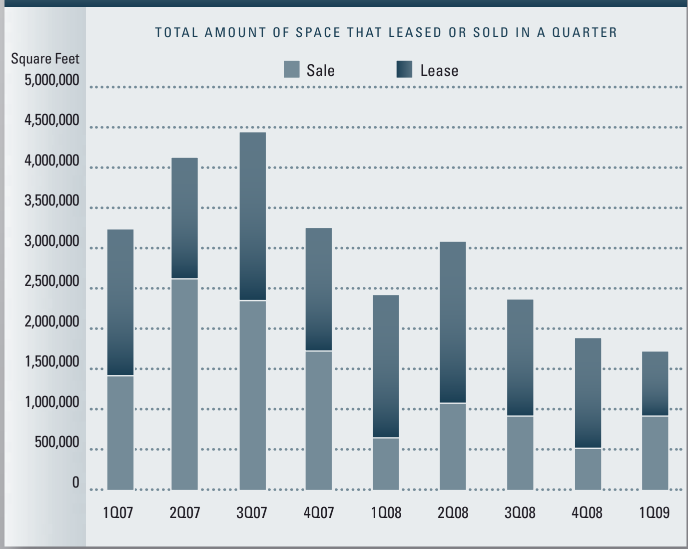
AVERAGE ASKING TRIPLE NET LEASE RATE



NET ABSORPTION



SALE & LEASE TRANSACTIONS



	INVENTORY				VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2009	Total Availability 1Q2009	Average Asking Lease Rate	Net Absorption 1Q2009	Net Absorption 2008	Goss Absorption 1Q2009	Gross Absorption 2008
Central												
Downtown	184	6,337,639	0	0	380,659	6.01%	427,247	$0.79	(92,965)	30,958	21,300	335,994
East City	53	1,692,598	0	0	39,923	2.36%	63,850	$0.00	6,673	(9,396)	24,822	7,500
Central Total	237	8,030,237	0	0	420,582	5.24%	491,097	$0.79	(86,292)	21,562	46,122	343,494
Central Suburban												
Airport/Sports Arena	87	2,208,691	0	92,548	34,210	1.55%	99,988	$0.92	274	24,016	16,024	65,600
Kearny Mesa	349	10,841,731	0	0	303,479	2.80%	421,558	$1.12	(54,513)	(58,930)	79,974	324,545
Mission Gorge	74	2,893,240	0	0	128,774	4.45%	151,544	$0.89	84,758	(82,268)	107,716	91,877
Rose Canyon/Morena	94	2,887,418	0	0	136,868	4.74%	162,952	$0.66	(19,548)	(95,047)	3,532	27,727
Central Suburban Total	604	18,831,080	0	92,548	603,331	3.20%	836,042	$0.99	10,971	(212,229)	207,246	509,749
East County												
El Cajon	305	9,528,298	0	0	479,959	5.04%	605,915	$0.83	(51,477)	(216,845)	130,968	299,926
La Mesa/Spring Valley	68	1,821,521	0	0	132,639	7.28%	147,265	$0.82	(32,549)	(55,421)	700	45,741
Santee/Lakeside	176	4,195,594	0	200,000	164,772	3.93%	220,192	$1.18	24,507	(38,410)	73,377	177,707
East County	14	506,460	0	0	5,000	0.99%	5,000	$0.00	6,008	(11,008)	11,008	0
East County Total	563	16,051,873	0	200,000	782,370	4.87%	978,372	$0.89	(53,511)	(321,684)	216,053	523,374
Highway 78 Corridor												
Oceanside	285	8,499,596	0	679,562	781,462	9.19%	962,557	$0.71	108,075	99,413	157,299	654,965
San Marcos	281	8,096,338	0	55,000	595,022	7.35%	826,120	$0.66	40,282	(149,605)	79,630	375,104
Vista/Fallbrook	265	10,145,782	0	223,109	789,407	7.78%	1,102,849	$0.68	(58,694)	35,479	50,516	458,428
Highway 78 Corridor Total	831	26,741,716	0	957,671	2,165,891	8.10%	2,891,526	$0.69	89,663	(14,713)	287,445	1,488,497
I-15 Corridor												
Escondido	272	5,866,101	0	250,000	415,026	7.07%	616,406	$0.87	(177,282)	(28,448)	19,977	366,046
Poway	144	7,244,761	9,951	431,400	311,399	4.30%	604,079	$0.81	(35,870)	53,642	141,834	423,913
Rancho Bernardo	51	4,204,905	0	0	208,199	4.95%	503,994	$0.97	(2,973)	(25,989)	90,824	219,827
Scripps Ranch	27	743,319	0	0	62,790	8.45%	67,595	$0.80	(1,920)	(14,152)	0	19,109
I-15 Corridor Total	494	18,059,086	9,951	681,400	997,414	5.52%	1,792,074	$0.87	(218,045)	(14,947)	252,635	1,028,895
North City												
Miramar	395	13,844,727	0	0	888,201	6.42%	1,676,130	$0.83	(109,458)	(89,877)	184,866	959,977
Sorrento Mesa	89	4,794,849	0	0	278,323	5.80%	497,678	$1.02	(30,232)	(28,003)	20,782	228,599
Sorrento Valley	56	1,354,592	0	0	53,263	3.93%	107,617	$1.10	(21,951)	(14,546)	17,233	41,490
UTC	3	161,064	0	0	0	0.00%	0	$0.00	0	0	0	0
North City Total	543	20,155,232	0	0	1,219,787	6.05%	2,281,425	$0.86	(161,641)	(132,426)	222,881	1,230,066
North County												
Carlsbad	219	9,514,089	0	26,632	919,379	9.66%	1,452,199	$0.99	(23,265)	(315,122)	186,163	485,667
North Beach Cities	19	613,784	0	0	0	0.00%	0	$0.00	0	0	0	0
North County Total	238	10,127,873	0	26,632	919,379	9.08%	1,452,199	$0.99	(23,265)	(315,122)	186,163	485,667
South Bay												
Chula Vista	232	9,903,214	0	20,000	701,222	7.08%	883,321	$0.59	90,281	(44,537)	205,091	484,800
National City	84	3,770,912	0	757,100	30,126	0.80%	28,996	$0.00	1,042	183,201	3,389	235,363
Otay Mesa	262	14,460,251	0	0	2,530,676	17.50%	3,112,280	$0.56	451,266	(295,118)	750,851	1,064,209
San Ysidro	49	1,833,762	0	46,121	118,534	6.46%	357,667	$0.67	4,226	7,571	18,276	73,574
South Bay Total	627	29,968,139	0	823,221	3,380,558	11.28%	4,382,264	$0.57	546,815	(148,883)	977,607	1,857,946
San Diego County Total	**4,137**	**147,965,236**	**9,951**	**2,781,472**	**10,489,312**	**7.09%**	**15,104,999**	**$0.74**	**104,695**	**(1,138,442)**	**2,396,152**	**7,467,688**

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

CONSTRUCTION UPDATE

Under Construction

Property Address	Submarket	Square Feet	Estimate Delivery	Recorded Owner
13011 Kirkham Way	Poway	9,951	May-09	Turfamco-1

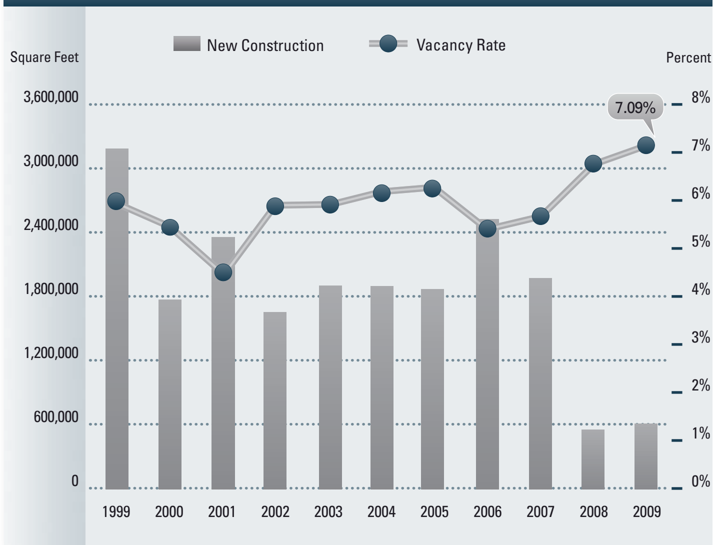
Recent Deliveries

Property Address	Submarket	Square Feet	Date Delivered	Recorded Owner
2729 Martinez Ranch	Otay Mesa	269,687	March-09	Innovative Oil & Gas
Siempre Viva Business Park	Otay Mesa	159,631	January-09	Siempre Viva Busn Park West LLC
Pacific Coast Business Park - 7 Buildings	Oceanside	152,317	January-09	AMB Property Corporation
Sky Business Park	Santee/Lakeside	15,731	March-09	Siempre Viva III, LLC

Product Type

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.

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. VACANCY RATE



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