



MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

UP



Deliveries

FLAT



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HIGHLIGHTS

- **Signs Pointing Up** - The San Diego County industrial market continued its path to recovery, posting a modest 5.01% vacancy rate. Availability continued trending downward, and net absorption was positive for the twenty-first consecutive quarter. While these are positive indicators, we are keeping a close eye on demand, which, being ultimately influenced by employment and overall economic stability, will need to be sustained in coming quarters for the San Diego County industrial market to continue to improve.
- **Construction** - Industrial construction during the recession and recovery has been limited to sporadic build-to-suit projects. The tight development pipeline has helped to push vacancy down and lease rates up for industrial product.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 5.01%. The vacancy rate for San Diego County's industrial market is now lower than the best number posted in the last period of economic expansion and more than 20% lower than the level of just a year ago. The Central County posted the lowest vacancy rates of San Diego County areas, at 3.27%, dipping below the East County which had previously been the lowest.
- **Availability** - Direct/sublease space being marketed was 8.31% at the end of the quarter, an 16% decrease from 2014's first quarter rate of 9.86%. The lack of available space is creating pent up demand in some size ranges and is applying upward pressure on pricing.
- **Lease Rates** - The average asking triple-net lease rate checked in at \$0.72 per square foot per month, a three cent increase from the previous quarter and five cents, or a 7.5% increase over 2014's first quarter figure.
- **Absorption** - The San Diego industrial market posted 628,150 square feet of positive net absorption in the first quarter, an increase from the previous quarter's 533,890 million square feet, and well above the market average of 373,346 of positive net absorption per quarter since the

beginning of 2010. Over the past twenty one quarters the market has accumulated a total of almost 8.1 million square feet of positive absorption.

- **Transaction Activity** - The total square feet leased and sold in the first quarter was 3.94 million square feet, a slight increase from the 3.8 million square feet that was transacted in the prior quarter. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. With the craft beer craze currently going on in San Diego it's no surprise that two of the quarter's largest transactions involved breweries. Voit's own disposition made the list as well. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in the San Diego County was 5.3% in February 2015, down from a revised 5.8% in January 2015 and below the year-ago estimate of 7.1%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 39,700 payroll jobs from February 2014 and February 2015, including 8,800 from professional and business services, and 8,200 from leisure and hospitality, 6,900 from education and health services, and 4,000 from government. No major sector recorded year-over job losses.
- **Overall** - New construction is still at very low levels. We are seeing continued decreases in the amount of vacant space in the market along with positive net absorption. Asking rental rates have been increasing for some time now and that increase is now accelerating. While the San Diego County office and retail vacancy rates are decreasing at a slower pace, the industrial market is in the midst of a freefall, and the vacancy rate is now lower than prerecession levels. The miniscule development pipeline has been a big factor in the vacancy rate compression. The San Diego Industrial market is recovering in full stride now.

FORECAST

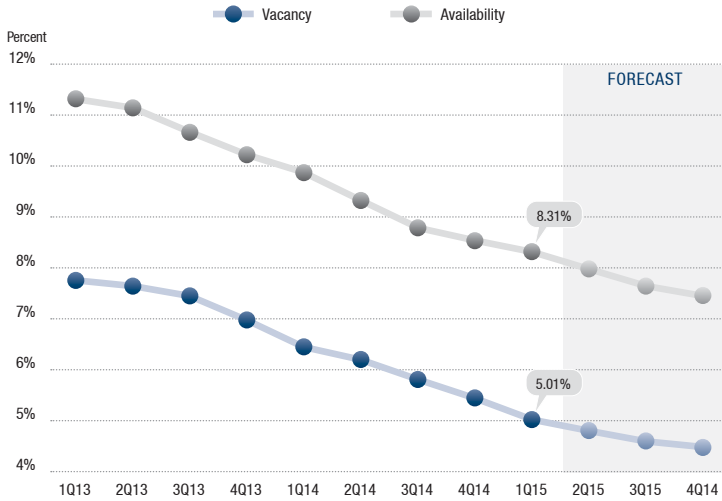
- **Construction** - After seven years of depressed construction levels for the San Diego industrial market, speculative construction has reentered the conversation, but it has not yet arrived. Limited construction in coming quarters should further allow demand to catch up to supply.
- **Employment** - We anticipate job growth of around 1.9%, or 24,600 jobs, in San Diego County over the year. Look for sectors like construction, administrative & support, and transportation & utilities to lead the way for employment gains in 2015.
- **Lease Rates** - Expect average asking rates to increase by approximately 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping over 50 basis points, to around 4.49% by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	5.01%	5.45%	6.47%	(22.57%)
Availability Rate	8.31%	8.52%	9.86%	(15.72%)
Average Asking Lease Rate	\$0.72	\$0.69	\$0.67	7.46%
Sale & Lease Transactions	3,935,007	3,800,097	3,165,017	24.33%
Gross Absorption	1,763,239	2,038,480	2,808,171	(37.21%)
Net Absorption	628,150	533,890	970,062	N/A

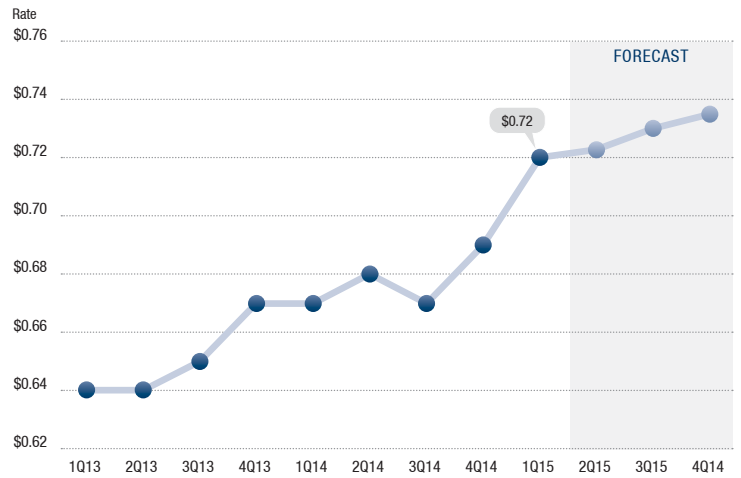
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



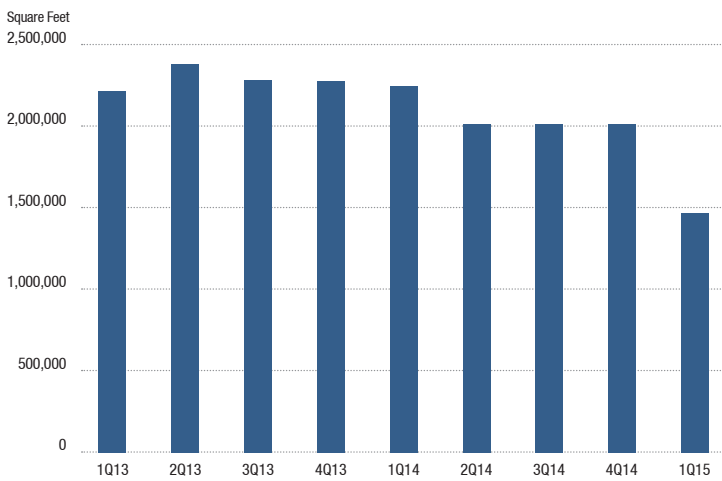
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



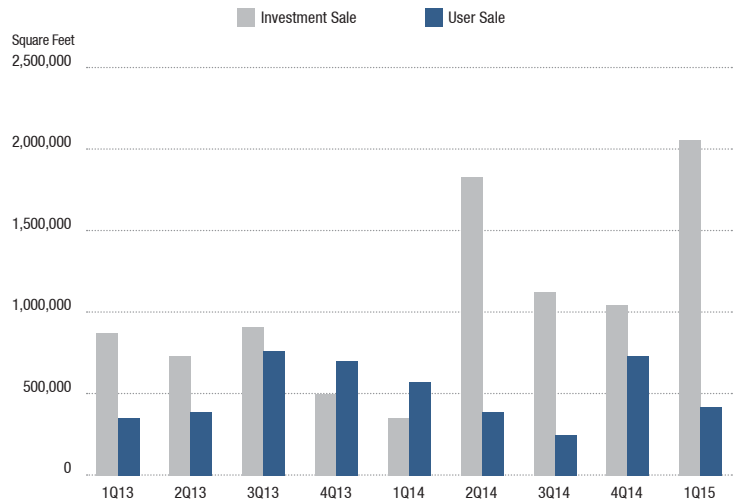
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



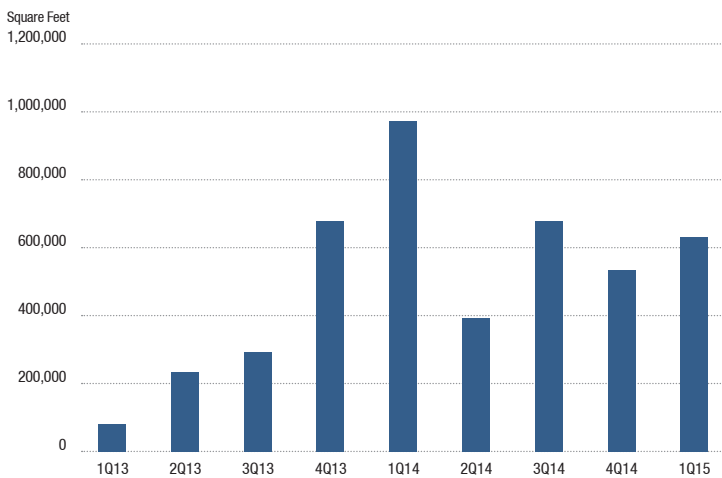
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



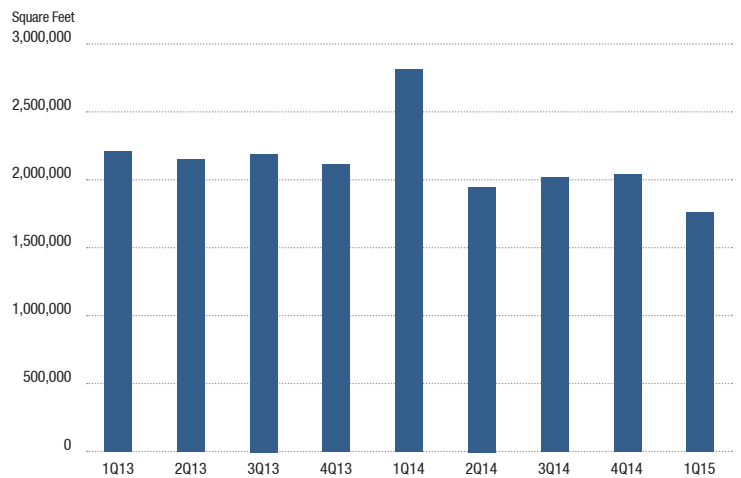
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Central													
Miramar	592	13,369,013	0	0	532,487	3.98%	832,910	6.23%	\$0.88	124,890	258,930	308,685	1,193,139
Scripps Ranch	29	744,249	0	0	40,447	5.43%	104,818	14.08%	\$0.81	3,027	(26,423)	17,347	13,395
Sorrento Mesa	79	3,952,261	0	0	244,211	6.18%	467,859	11.84%	\$0.92	(13,631)	7,303	0	117,842
Sorrento Valley	51	1,161,826	0	149,663	800	0.07%	24,220	2.08%	\$1.55	(800)	7,402	10,000	20,585
Subtotal	751	19,227,349	0	149,663	817,945	4.25%	1,429,807	7.44%		113,486	247,212	336,032	1,344,961
Sports Arena/Airport	198	3,145,186	0	0	62,702	1.99%	88,475	2.81%	\$0.00	15,878	57,914	21,178	124,535
Rose Canyon / Morena	133	2,695,190	0	0	24,130	0.90%	42,472	1.58%	\$1.20	(8,920)	14,313	10,000	129,528
Kearny Mesa	426	9,863,516	0	0	249,238	2.53%	301,612	3.06%	\$0.98	124,109	76,676	249,954	461,541
Mission Gorge / Grantville	121	1,965,073	0	0	52,262	2.66%	68,856	3.50%	\$0.75	16,893	121,968	21,971	347,301
Subtotal	878	17,668,965	0	0	388,332	2.20%	501,415	2.84%		147,960	270,871	303,103	1,062,905
Central Total	1,629	36,896,314	0	149,663	1,206,277	3.27%	1,931,222	5.23%	\$0.91	261,446	518,083	639,135	2,407,866
East													
El Cajon	511	9,429,956	0	112,126	298,206	3.16%	660,581	7.01%	\$0.73	(27,053)	(34,954)	13,358	262,475
Santee	196	2,936,025	0	318,000	90,210	3.07%	131,022	4.46%	\$0.75	(21,782)	16,345	8,558	177,913
Lakeside	86	1,001,302	0	0	4,970	0.50%	44,433	4.44%	\$1.00	1,909	77,738	1,909	99,891
Subtotal	793	13,367,283	0	430,126	393,386	2.94%	836,036	6.25%		(46,926)	59,129	23,825	540,279
Spring Valley	117	1,263,795	0	0	68,112	5.39%	93,333	7.39%	\$0.87	4,986	(17,304)	12,968	14,730
Lemon Grove / La Mesa / East SD	219	1,452,728	0	0	66,185	4.56%	86,917	5.98%	\$0.50	(6,000)	13,480	0	45,750
Subtotal	336	2,716,523	0	0	134,297	4.94%	180,250	6.64%		(1,014)	(3,824)	12,968	60,480
East Total	1,129	16,083,806	0	430,126	527,683	3.28%	1,016,286	6.32%	\$0.77	(47,940)	55,305	36,793	600,759
North Coastal													
Carlsbad	238	7,769,832	0	107,024	628,560	8.09%	855,065	11.00%	\$0.82	(5,761)	104,620	62,639	389,903
North Beach Cities	40	314,911	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Southern Vista	389	11,045,101	0	709,442	575,779	5.21%	869,306	7.87%	\$0.68	(24,362)	353,848	138,720	968,713
Subtotal	667	19,129,844	0	816,466	1,204,339	6.30%	1,724,371	9.01%		(30,123)	458,468	201,359	1,358,616
Oceanside	394	7,955,290	56,862	750,796	705,327	8.87%	755,392	9.50%	\$0.67	82,378	232,121	125,001	612,591
Northern Vista	100	1,077,859	0	0	22,512	2.09%	39,592	3.67%	\$0.80	(3,197)	27,529	13,245	52,853
Subtotal	494	9,033,149	56,862	750,796	727,839	8.06%	794,984	8.80%		79,181	259,650	138,246	665,444
North Coastal Total	1,161	28,162,993	56,862	1,567,262	1,932,178	6.86%	2,519,355	8.95%	\$0.71	49,058	718,118	339,605	2,024,060
North Inland													
Poway	175	7,341,577	70,918	355,000	177,765	2.42%	742,883	10.12%	\$0.89	131,679	48,137	139,571	499,448
Rancho Bernardo / CMR	47	4,250,348	0	0	247,793	5.83%	515,655	12.13%	\$1.01	(13,054)	59,398	0	73,669
Subtotal	222	11,591,925	70,918	355,000	425,558	3.67%	1,258,538	10.86%		118,625	107,535	139,571	573,117
Escondido	628	7,196,562	0	0	193,838	2.69%	468,927	6.52%	\$0.78	6,158	109,149	94,375	402,001
San Marcos	525	8,536,042	0	53,000	505,550	5.92%	673,764	7.89%	\$0.77	38,657	109,801	98,106	460,198
Unincorporated North County	89	812,475	0	0	32,197	3.96%	39,572	4.87%	\$0.97	(11,200)	16,326	0	22,059
Subtotal	1,242	16,545,079	0	53,000	731,585	4.42%	1,182,263	7.15%		33,615	235,276	192,481	884,258
North Inland Total	1,464	28,137,004	70,918	408,000	1,157,143	4.11%	2,440,801	8.67%	\$0.89	152,240	342,811	332,052	1,457,375
South													
Southeast SD	467	6,177,639	0	0	252,589	4.09%	300,590	4.87%	\$0.63	50,383	53,538	57,103	184,403
National City	244	3,499,377	0	0	71,707	2.05%	99,452	2.84%	\$0.70	3,236	36,273	12,697	123,380
Chula Vista	334	8,669,056	0	0	379,223	4.37%	933,528	10.77%	\$0.65	53,228	57,741	111,840	421,636
Subtotal	1,045	18,346,072	0	0	703,519	3.83%	1,333,570	7.27%		106,847	147,552	181,640	729,419
Otay Mesa	328	15,191,151	0	1,678,953	1,538,057	10.12%	2,591,651	17.06%	\$0.48	100,485	686,507	213,000	1,475,277
San Ysidro / South SD	68	1,529,646	0	24,121	170,938	11.18%	163,857	10.71%	\$0.00	6,014	(50,943)	21,014	44,381
Subtotal	396	16,720,797	0	1,703,074	1,708,995	10.22%	2,755,508	16.48%		106,499	635,564	234,014	1,519,658
South Total	1,441	35,066,869	0	1,703,074	2,412,514	6.88%	4,089,078	11.66%	\$0.52	213,346	783,116	415,654	2,249,077
San Diego County Total	6,824	144,346,986	127,780	4,258,125	7,235,795	5.01%	11,996,742	8.31%	\$0.72	628,150	2,417,433	1,763,239	8,739,137
0-9,999	3,073	15,592,579	0	8,000	429,864	2.76%	685,200	4.39%	\$0.97	62,542	164,028	166,568	828,700
10,000-19,999	1,804	25,434,969	0	70,578	1,088,188	4.28%	1,524,626	5.99%	\$0.95	(133,311)	465,523	312,591	1,769,471
20,000-34,999	988	25,284,874	0	208,809	947,831	3.75%	1,574,482	6.23%	\$0.77	131,850	310,569	396,572	1,867,341
35,000-49,999	370	15,288,990	0	79,084	675,640	4.42%	1,075,223	7.03%	\$0.73	100,363	104,696	216,663	742,489
50,000-99,999	376	25,922,007	127,780	1,368,575	1,548,885	5.98%	2,392,160	9.23%	\$0.67	124,355	298,835	253,185	1,439,058
100,000 Plus	213	36,823,567	0	2,523,079	2,545,387	6.91%	4,745,051	12.89%	\$0.68	342,351	1,073,782	417,660	2,092,078
San Diego County Total	6,824	144,346,986	127,780	4,258,125	7,235,795	5.01%	11,996,742	8.31%	\$0.72	628,150	2,417,433	1,763,239	8,739,137

Lease rates are on a triple-net basis.

MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
8902-8940 Activity Rd.	Miramar	112,501	\$164.44	Rexford Industrial	LBA Realty
13550 Stowe Dr.	Poway	112,000	\$129.46	CT Realty Investors	Foley Properties
5993-5999 Avenida Encinas	Carlsbad	67,840	\$175.41	Lincoln Property Company	Providence Carlsbad Corporate Center
2120 Harmony Grove Rd.	Escondido	56,352	\$143.74	Baker Avenue Property Company	PHGC Corporation
4747-4751 Oceanside Blvd.	Oceanside	70,941	\$105.72	SR Commercial	Voit Oceanside Partners, LLC
1818-1820 Peacock Blvd.					

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1330 30th St.	South San Diego	61,892	Mar-2015	Lockheed Martin	LBA Realty
7130 Miramar Rd. – Renewal	Miramar	50,922	Mar-2015	WorldTrans Services	Global Logistic Properties, Ltd.
2560 Progress St.	Vista	45,920	Feb-2015	Baked in the Sun	Muirlands Investments, LLC
2580 Pioneer Ave.	Vista	42,356	Mar-2015	PC Fetch	Property Reserve, Inc.
5995 Pacific Center Blvd.	Sorrento Mesa	41,900	Feb-2015	La Jolla Brewing	GF Capital Management & Advisors, LLC

PRODUCT TYPE

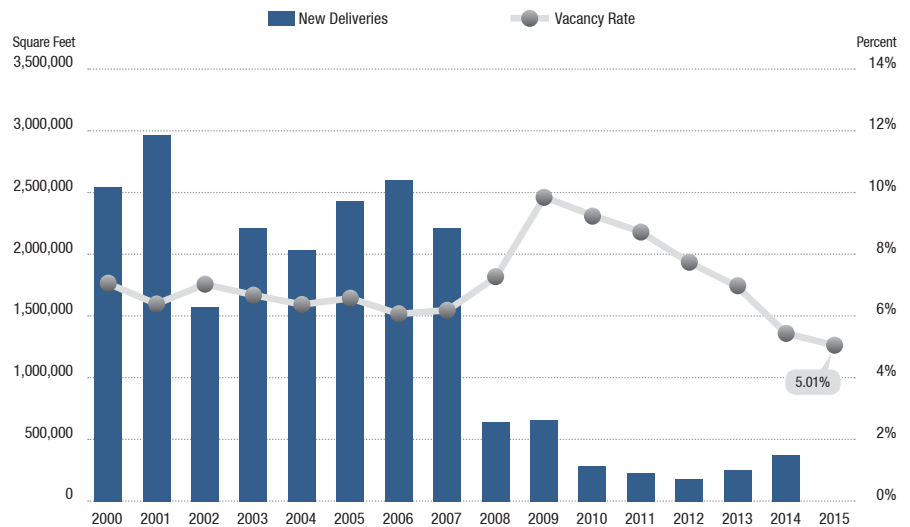
MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 49.9% office space.

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