

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2004

Compared to last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



UP

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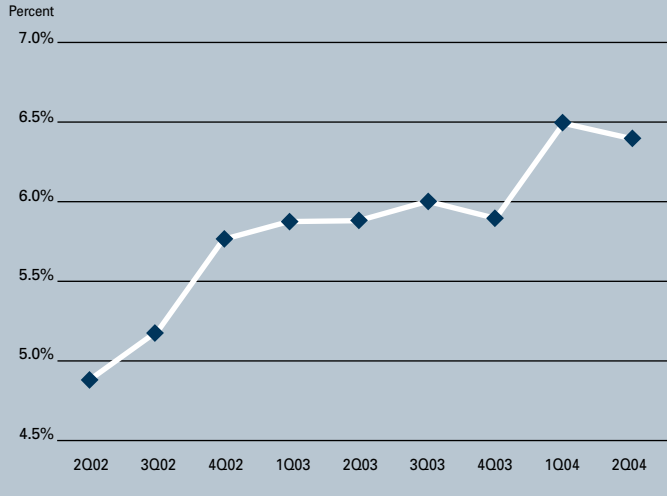
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2004 in San Diego County is 4.1%, which is the same as it was during the first quarter of 2004 as well as what we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 1,041,149 square feet of Industrial construction underway, and total construction is up by almost 10% compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 2,744,499 square feet of Industrial space on the slate as being planned, compared to last year's figure of 1,590,465.
- ◆ The Industrial vacancy rate is checking in at 6.42%, which is up from the 5.87% rate during the first quarter of 2004. 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 remain somewhat flat with the possibility of growth during the second half of 2004 as the economy improves.
- ◆ Industrial absorption checked in at 437,702 square feet of positive net absorption during second quarter of 2004, giving the San Diego Industrial Market a total of 527,706 square feet of positive absorption for 2004.

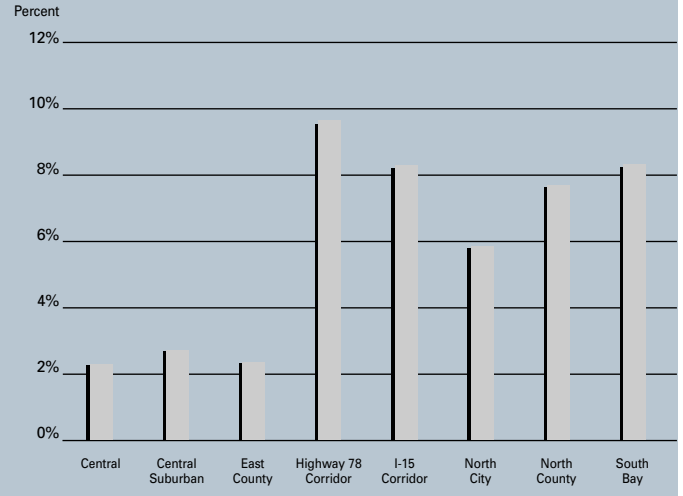
INDUSTRIAL MARKET STATISTICS

	2Q2004	1Q2004	2Q2003	% CHANGE VS. 2003
Under Construction	1,041,149	993,776	940,002	10.76%
Planned Construction	2,744,499	1,379,712	1,590,465	72.56%
Vacancy	6.42%	5.87%	5.93%	8.26%
Availability	9.29%	9.53%	8.54%	8.78%
Pricing	\$0.65	\$0.64	\$0.63	3.17%
Net Absorption	437,702	90,004	237,652	N/A

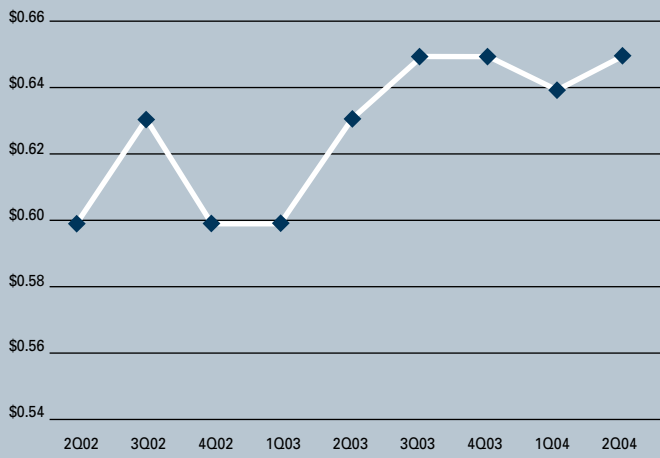
VACANCY RATE



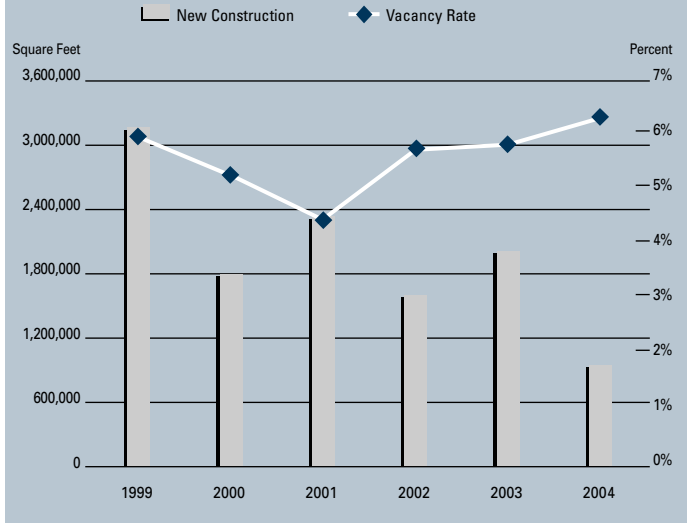
VACANCY RATE BY SUBMARKET



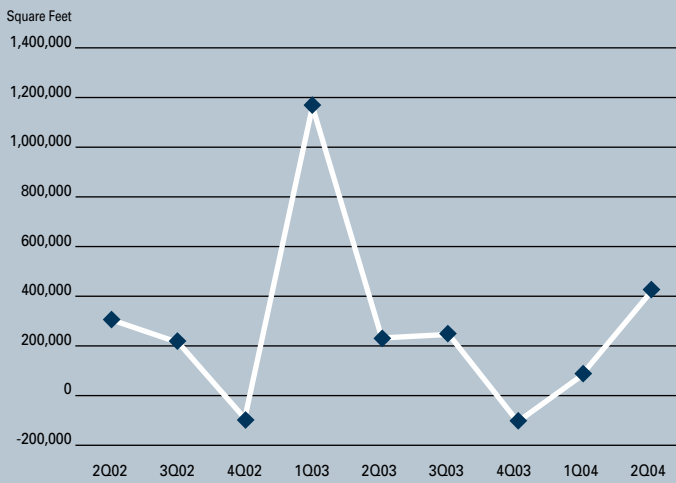
AVERAGE ASKING TRIPLE NET LEASE RATE



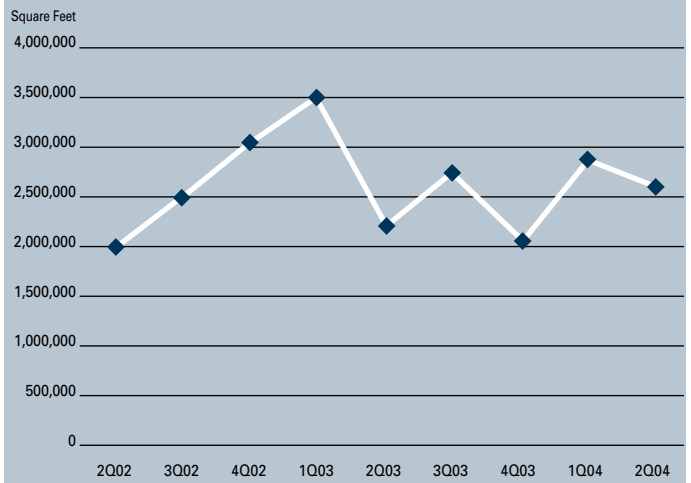
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2004	Total Availability 2Q2004	Average Asking Lease Rate	Net Absorption 2Q2004	Net Absorption 2004
Central										
Downtown	233	8,858,367	0	0	205,913	2.32%	407,464	\$0.55	84,018	(20,607)
East City	46	1,477,089	0	72,000	38,893	2.63%	78,893	\$0.65	(158)	(7,973)
Central Total	279	10,335,456	0	72,000	244,806	2.37%	486,357	\$0.57	83,860	(28,580)
Central Suburban										
Airport/Sports Arena	76	1,812,550	0	0	122,836	6.78%	167,556	\$0.73	20,900	(33,493)
Kearny Mesa	382	11,715,175	45,000	0	226,199	1.93%	548,948	\$0.87	11,246	(6,028)
Mission Gorge	55	1,718,318	0	0	101,330	5.90%	101,647	\$0.72	(18,029)	(15,121)
Rose Canyon/Morena	91	2,566,137	0	0	42,178	1.64%	66,294	\$0.00	(23,523)	(15,292)
Central Suburban Total	604	17,812,180	45,000	0	492,543	2.77%	884,445	\$0.83	(9,406)	(69,934)
East County										
El Cajon	222	6,904,324	0	12,000	210,132	3.04%	418,903	\$0.59	(7,619)	(35,919)
La Mesa/Spring Valley	49	1,338,681	0	0	54,256	4.05%	54,256	\$0.72	5,383	82,449
Santee/Lakeside	123	3,360,531	0	12,680	21,388	0.64%	21,388	\$0.00	34,859	233,708
East County Total	394	11,603,536	0	24,680	285,776	2.46%	494,547	\$0.62	32,623	280,238
Highway 78 Corridor										
Oceanside	210	5,414,110	10,000	795,542	474,432	8.76%	567,651	\$0.58	6,374	(3,343)
San Marcos	240	6,471,263	0	0	561,453	8.68%	599,441	\$0.59	(100,443)	(24,263)
Vista/Fallbrook	247	9,244,802	60,890	234,395	995,421	10.77%	1,216,017	\$0.64	37,436	179,885
Highway 78 Corridor Total	697	21,130,175	70,890	1,029,937	2,031,306	9.61%	2,383,109	\$0.62	(56,633)	152,279
I-15 Corridor										
Escondido	245	4,956,585	37,900	250,000	323,614	6.53%	366,743	\$0.77	30,811	20,091
Poway	140	6,183,064	34,773	0	380,060	6.15%	794,909	\$0.68	(46,854)	117,261
Rancho Bernardo	63	5,678,000	0	0	698,883	12.31%	1,136,838	\$0.65	174,005	270,409
Scripps Ranch	36	903,055	0	63,300	108,469	12.01%	124,530	\$0.73	(13,957)	(43,260)
I-15 Corridor Total	484	17,720,704	72,673	313,300	1,511,026	8.53%	2,423,020	\$0.67	144,005	364,501
North City										
Miramar	386	13,087,169	0	252,000	804,666	6.15%	1,176,456	\$0.68	112,465	(79,557)
Sorrento Mesa	97	5,034,520	0	0	235,223	4.67%	496,600	\$0.98	44,764	145,810
Sorrento Valley	70	1,596,934	0	0	148,422	9.29%	179,941	\$1.10	(13,879)	(19,435)
UTC	5	306,794	16,316	0	0	0.00%	0	\$0.00	0	0
North City Total	558	20,025,417	16,316	252,000	1,188,311	5.93%	1,852,997	\$0.78	143,350	46,818
North County										
Carlsbad	220	8,542,480	0	29,898	688,724	8.06%	908,193	\$0.71	218,351	253,493
North Beach Cities	11	513,270	0	0	1,543	0.30%	1,543	\$0.00	(1,543)	(543)
North County Total	231	9,055,750	0	29,898	690,267	7.62%	909,736	\$0.71	216,808	252,950
South Bay										
Chula Vista	191	8,931,377	147,344	450,000	638,262	7.15%	799,964	\$0.53	12,970	(318,423)
National City	77	3,065,284	0	0	1,452	0.05%	67,419	\$0.00	44,349	38,469
Otay Mesa	171	9,667,891	688,926	548,563	1,270,766	13.14%	1,814,445	\$0.52	(183,197)	(190,462)
San Ysidro	45	1,701,807	0	24,121	61,381	3.61%	61,381	\$0.65	8,973	(150)
South Bay Total	484	23,366,359	836,270	1,022,684	1,971,861	8.44%	2,743,209	\$0.53	(116,905)	(470,566)
San Diego County Total	3,731	131,049,577	1,041,149	2,744,499	8,415,896	6.42%	12,177,420	\$0.65	437,702	527,706

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

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2004

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

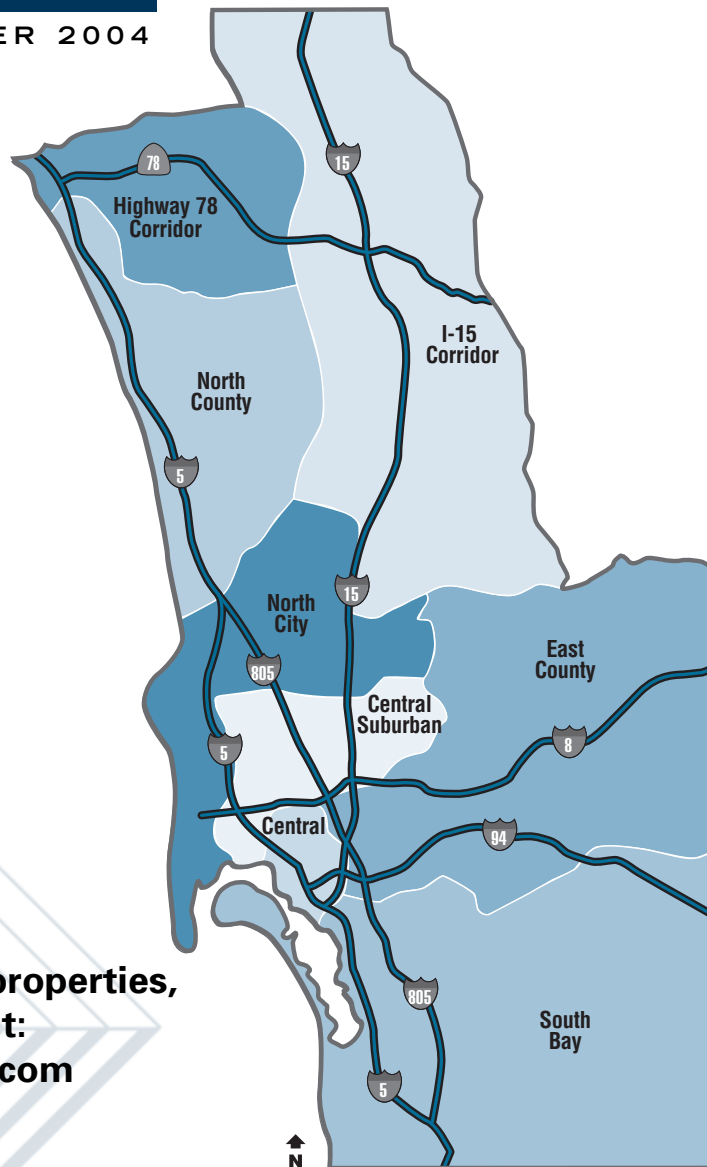
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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