

# INDUSTRIAL MARKET REPORT

SECOND QUARTER 2005

Compared to last quarter:

## VACANCY



UP

## ABSORPTION



UP

## LEASE RATES



UP

## CONSTRUCTION



UP

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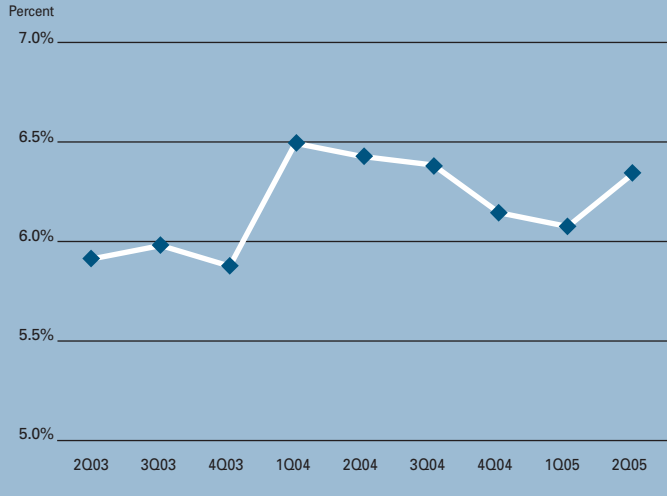
## MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2005 in San Diego County is 3.8%, which is a decrease of 0.8% since the first quarter of 2005 and down from the 4.6% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 2,138,838 square feet of Industrial construction underway, and total construction is about double the amount it was a year ago.
- ◆ Planned Industrial construction in San Diego County is about the same as compared to last year. Currently there is 2,788,089 square feet of Industrial space on the slate as being planned, compared to last year's figure of 2,744,499.
- ◆ The Industrial vacancy rate is checking in at 6.36%, which is up from last quarter 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 a new record high of \$0.71, which is a 9.23% increase over last year's second quarter rate of \$.65. Rental rates are expected to increase 7 to 10% in 2005 as the economy continues to expand.
- ◆ Industrial absorption checked in at 290,350 square feet of positive net absorption during second quarter of 2005, giving the San Diego Industrial Market a total of 749,622 square feet of positive absorption for 2005.

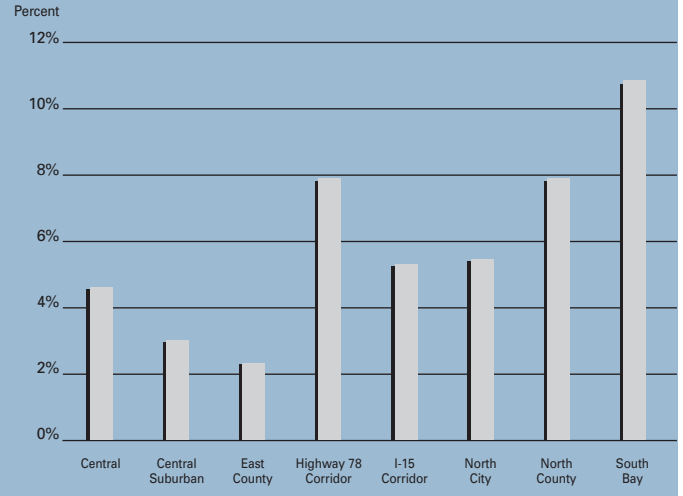
## INDUSTRIAL MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	2,138,838	997,703	1,041,149	105.43%
Planned Construction	2,788,089	3,712,704	2,744,499	1.59%
Vacancy	6.36%	6.09%	6.42%	-0.93%
Availability	8.14%	8.00%	9.29%	-12.38%
Pricing	\$0.71	\$0.68	\$0.65	9.23%
Net Absorption	290,350	459,272	437,702	-33.66%

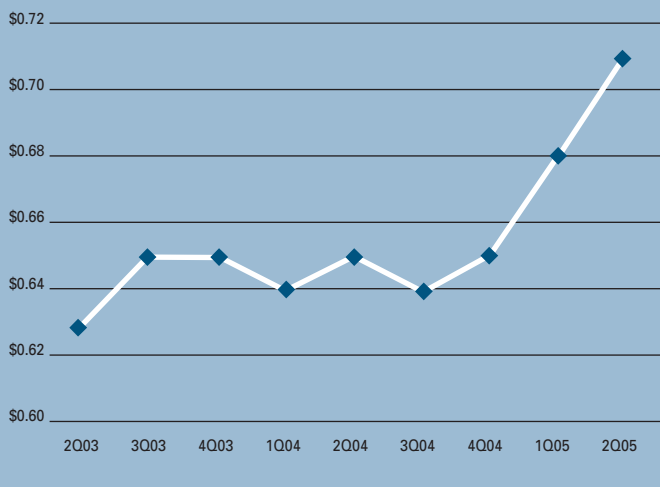
## VACANCY RATE



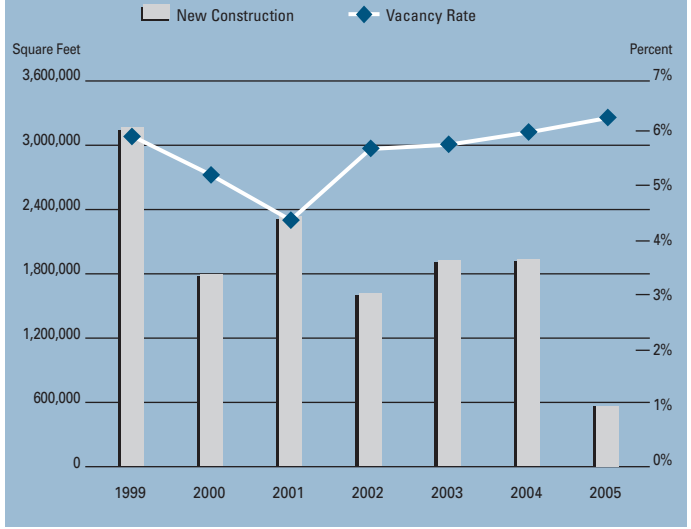
## VACANCY RATE BY SUBMARKET



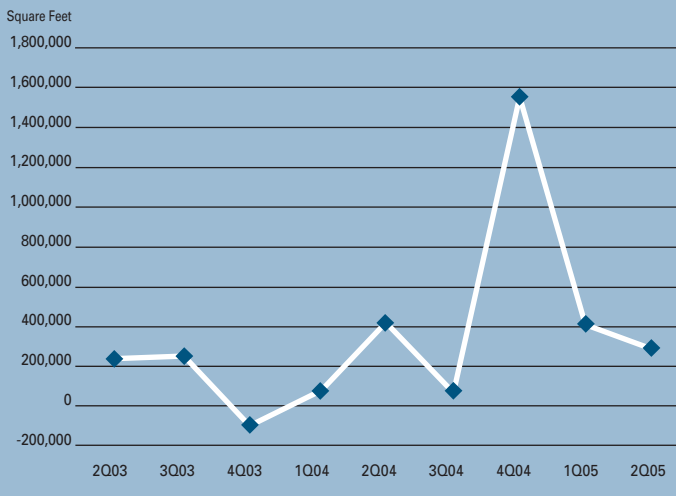
## AVERAGE ASKING TRIPLE NET LEASE RATE



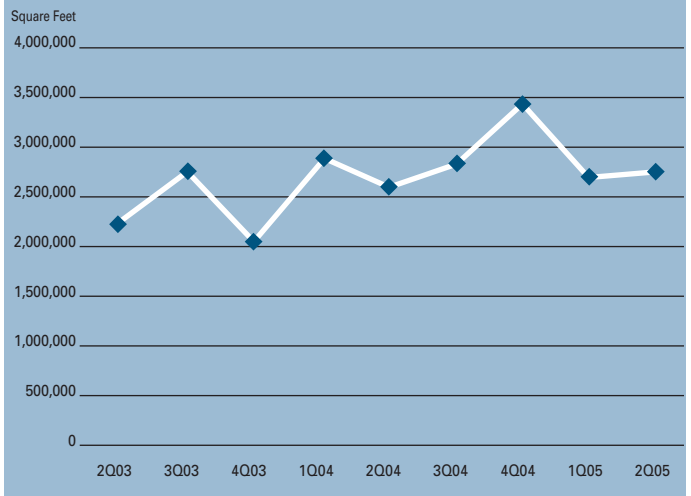
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## 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 2Q2005	Total Availability 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005
<b>Central</b>										
Downtown	219	7,884,556	0	0	358,738	4.55%	531,974	\$0.73	(97,146)	(185,333)
East City	47	1,571,967	0	30,000	80,730	5.14%	133,065	\$0.60	(20,210)	(20,210)
<b>Central Total</b>	<b>266</b>	<b>9,456,523</b>	<b>0</b>	<b>30,000</b>	<b>439,468</b>	<b>4.65%</b>	<b>665,039</b>	<b>\$0.71</b>	<b>(117,356)</b>	<b>(205,543)</b>
<b>Central Suburban</b>										
Airport/Sports Arena	76	1,859,821	0	0	56,175	3.02%	100,175	\$1.25	(3,600)	2,100
Kearny Mesa	378	12,081,822	0	45,000	422,070	3.49%	667,176	\$0.88	(42,796)	(75,156)
Mission Gorge	56	1,736,343	0	17,000	55,763	3.21%	207,439	\$0.71	15,101	2,790
Rose Canyon/Morena	92	2,584,940	0	0	40,032	1.55%	43,678	\$1.10	12,473	(20,852)
<b>Central Suburban Total</b>	<b>602</b>	<b>18,262,926</b>	<b>0</b>	<b>62,000</b>	<b>574,040</b>	<b>3.14%</b>	<b>1,018,468</b>	<b>\$0.85</b>	<b>(18,822)</b>	<b>(91,118)</b>
<b>East County</b>										
El Cajon	222	6,891,818	0	12,000	230,763	3.35%	245,983	\$0.64	36,693	14,876
La Mesa/Spring Valley	48	1,460,219	0	0	27,404	1.88%	28,876	\$0.72	39,805	45,490
Santee/Lakeside	121	3,230,482	89,654	12,680	29,440	0.91%	26,040	\$0.00	(5,840)	(10,570)
<b>East County Total</b>	<b>391</b>	<b>11,582,519</b>	<b>89,654</b>	<b>24,680</b>	<b>287,607</b>	<b>2.48%</b>	<b>300,899</b>	<b>\$0.67</b>	<b>70,658</b>	<b>49,796</b>
<b>Highway 78 Corridor</b>										
Oceanside	211	5,387,934	429,289	1,094,750	483,314	8.97%	536,569	\$0.60	112,194	46,102
San Marcos	237	6,437,212	0	40,000	386,366	6.00%	437,512	\$0.63	(158,696)	76,690
Vista/Fallbrook	244	9,262,003	117,008	502,395	813,630	8.78%	1,338,370	\$0.64	78,970	80,814
<b>Highway 78 Corridor Total</b>	<b>692</b>	<b>21,087,149</b>	<b>546,297</b>	<b>1,637,145</b>	<b>1,683,310</b>	<b>7.98%</b>	<b>2,312,451</b>	<b>\$0.63</b>	<b>32,468</b>	<b>203,606</b>
<b>I-15 Corridor</b>										
Escondido	245	4,966,919	0	250,000	172,304	3.47%	216,303	\$1.08	25,916	21,987
Poway	147	6,401,271	676,684	0	441,365	6.89%	441,365	\$0.91	(9,920)	24,452
Rancho Bernardo	62	5,412,982	0	0	241,182	4.46%	587,564	\$0.89	33,374	205,685
Scripps Ranch	35	881,256	0	0	70,197	7.97%	70,197	\$0.79	(16,846)	15,384
<b>I-15 Corridor Total</b>	<b>489</b>	<b>17,662,428</b>	<b>676,684</b>	<b>250,000</b>	<b>925,048</b>	<b>5.24%</b>	<b>1,315,429</b>	<b>\$0.90</b>	<b>32,524</b>	<b>267,508</b>
<b>North City</b>										
Miramar	382	13,054,218	0	200,000	640,531	4.91%	603,655	\$0.67	36,512	53,758
Sorrento Mesa	90	4,713,398	0	0	346,050	7.34%	351,218	\$0.98	27,824	(98,585)
Sorrento Valley	64	1,496,422	0	0	53,699	3.59%	91,162	\$1.25	18,698	72,492
UTC	5	306,794	0	0	0	0.00%	0	\$0.00	0	0
<b>North City Total</b>	<b>541</b>	<b>19,570,832</b>	<b>0</b>	<b>200,000</b>	<b>1,040,280</b>	<b>5.32%</b>	<b>1,046,035</b>	<b>\$0.80</b>	<b>83,034</b>	<b>27,665</b>
<b>North County</b>										
Carlsbad	213	8,479,967	64,738	0	707,959	8.35%	707,959	\$0.77	(64,925)	(31,193)
North Beach Cities	9	480,270	0	0	8,243	1.72%	8,243	\$0.00	0	0
<b>North County Total</b>	<b>222</b>	<b>8,960,237</b>	<b>64,738</b>	<b>0</b>	<b>716,202</b>	<b>7.99%</b>	<b>716,202</b>	<b>\$0.77</b>	<b>(64,925)</b>	<b>(31,193)</b>
<b>South Bay</b>										
Chula Vista	190	8,612,002	86,651	35,855	611,367	7.10%	697,776	\$0.75	1,760	312,391
National City	78	3,078,051	0	0	50,027	1.63%	244,225	\$0.65	43,918	8,898
Otay Mesa	197	10,670,502	674,814	524,288	1,934,448	18.13%	2,272,685	\$0.54	187,186	170,498
San Ysidro	48	1,875,437	0	24,121	58,881	3.14%	58,881	\$0.61	39,905	37,114
<b>South Bay Total</b>	<b>513</b>	<b>24,235,992</b>	<b>761,465</b>	<b>584,264</b>	<b>2,654,723</b>	<b>10.95%</b>	<b>3,273,567</b>	<b>\$0.57</b>	<b>272,769</b>	<b>528,901</b>
<b>San Diego County Total</b>	<b>3,716</b>	<b>130,818,606</b>	<b>2,138,838</b>	<b>2,788,089</b>	<b>8,320,678</b>	<b>6.36%</b>	<b>10,648,090</b>	<b>\$0.71</b>	<b>290,350</b>	<b>749,622</b>

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

# INDUSTRIAL MARKET REPORT

SECOND QUARTER 2005

## 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

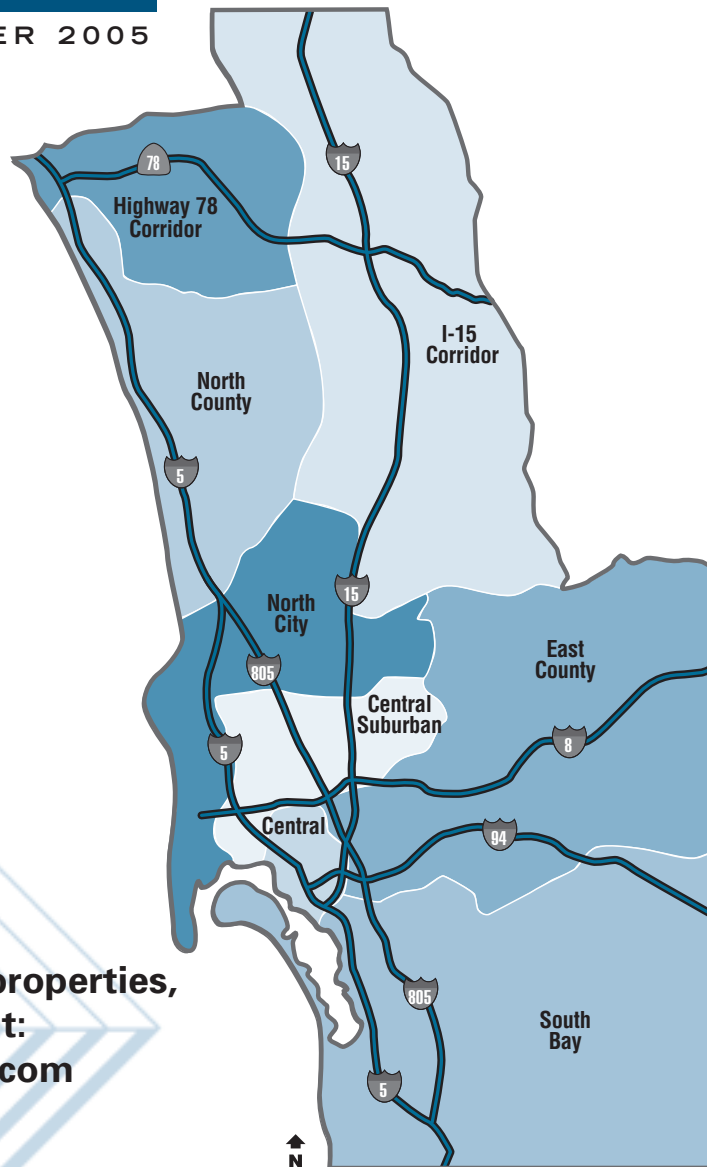
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC

### NORTH COUNTY

Carlsbad  
North Beach Cities

### SOUTH BAY

Chula Vista  
National City  
Otay Mesa  
San Ysidro



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