

INDUSTRIAL MARKET REPORT

SECOND
QUARTER
2006

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



DOWN

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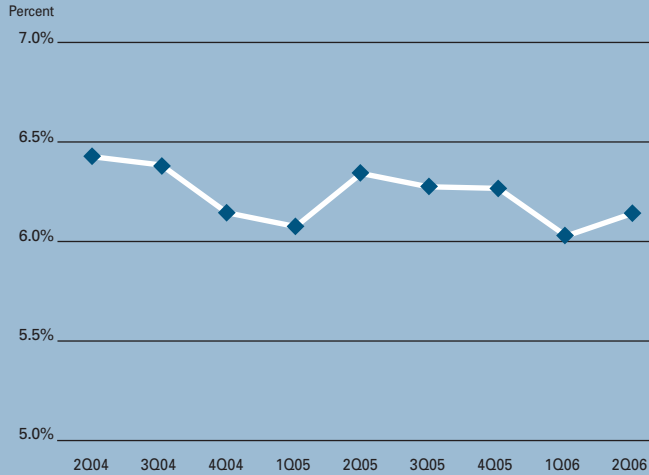
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2006 in San Diego County is 3.7%, which is a decrease of 0.4% since the first quarter of 2006 and down from the 4.1% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 23,400 new non-farm jobs in 2005, and they are forecasting 35,000 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 1,936,636 square feet of Industrial construction underway, and total construction is down a bit compared to a year ago, a decrease of 9.45%.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 3,141,384 square feet of Industrial space on the slate as being planned, compared to last year's figure of 2,788,089.
- ◆ The Industrial vacancy rate is checking in at 6.16%, which is lower than it was a year ago when it was 6.36%. 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 \$0.71, which is the same as last years figure. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to expand.
- ◆ Industrial absorption checked in at 426,305 square feet of positive net absorption during the second quarter of 2006, giving the San Diego Industrial Market a total of 5 million square feet of positive absorption for the last 10 quarters.

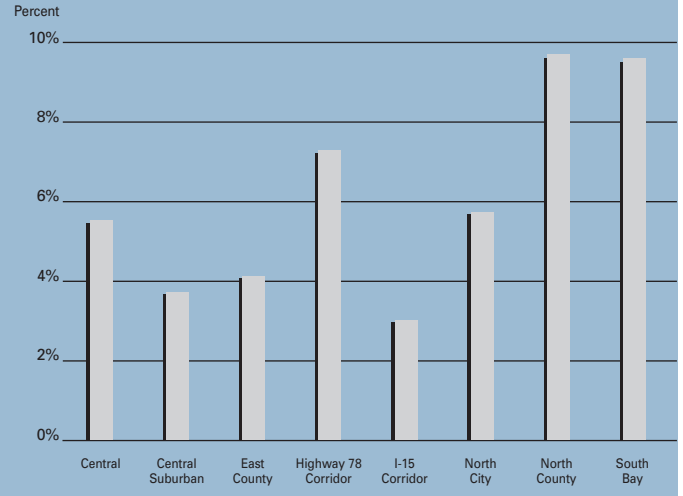
INDUSTRIAL MARKET STATISTICS

	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	1,936,636	2,101,115	2,138,838	-9.45%
Planned Construction	3,141,384	3,470,170	2,788,089	12.67%
Vacancy	6.16%	6.03%	6.36%	-3.14%
Availability	7.65%	7.32%	8.14%	-6.02%
Pricing	\$0.71	\$0.70	\$0.71	0.00%
Net Absorption	426,305	433,629	290,350	46.82%

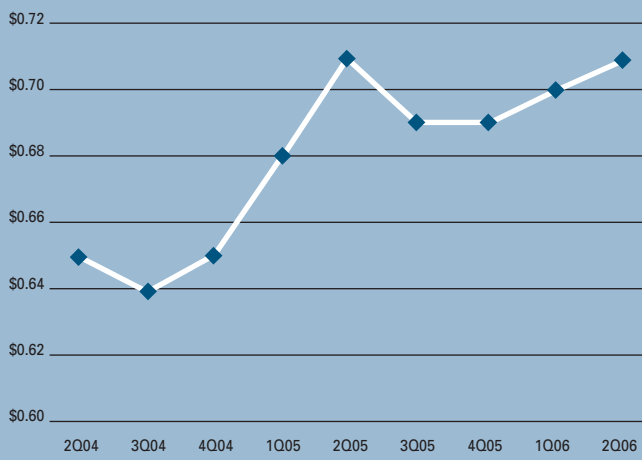
VACANCY RATE



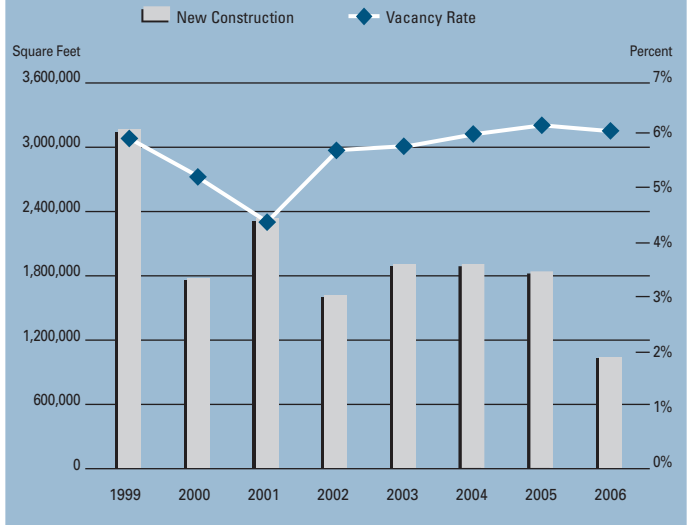
VACANCY RATE BY SUBMARKET



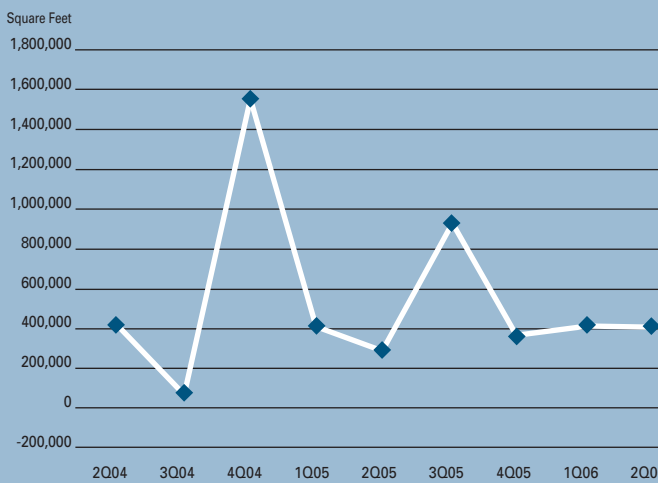
AVERAGE ASKING TRIPLE NET LEASE RATE



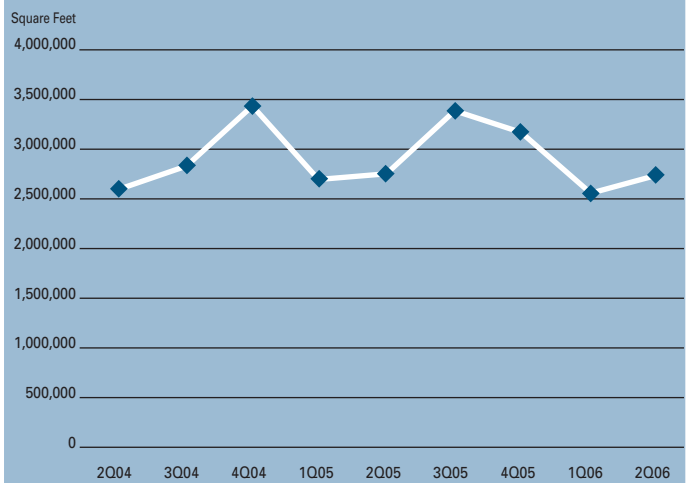
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2006	Total Availability 2Q2006	Average Asking Lease Rate	Net Absorption 2Q2006	Net Absorption 2006
Central										
Downtown	200	6,979,439	0	0	378,679	5.43%	471,717	\$0.65	31,605	125,787
East City	47	1,576,967	0	30,000	85,065	5.39%	107,065	\$0.60	10,000	(6,000)
Central Total	247	8,556,406	0	30,000	463,744	5.42%	578,782	\$0.63	41,605	119,787
Central Suburban										
Airport/Sports Arena	80	2,062,225	0	0	80,896	3.92%	158,083	\$0.79	9,000	6,225
Kearny Mesa	362	11,182,044	56,000	0	474,222	4.24%	474,222	\$0.88	150,118	(54,579)
Mission Gorge	56	1,736,343	0	0	111,391	6.42%	111,391	\$0.83	(61,207)	41,920
Rose Canyon/Morena	105	3,501,736	0	0	23,013	0.66%	94,535	\$1.23	(9,985)	4,295
Central Suburban Total	603	18,482,348	56,000	0	689,522	3.73%	838,231	\$0.86	87,926	(2,139)
East County										
El Cajon	215	6,679,362	0	0	321,490	4.81%	321,490	\$0.89	(32,734)	(18,904)
La Mesa/Spring Valley	53	1,716,549	0	0	77,724	4.53%	77,724	\$0.71	(47,620)	(43,115)
Santee/Lakeside	130	3,498,104	0	12,680	100,110	2.86%	130,441	\$1.25	40,734	62,607
East County Total	398	11,894,015	0	12,680	499,324	4.20%	529,655	\$0.85	(39,620)	588
Highway 78 Corridor										
Oceanside	241	6,489,092	666,495	713,423	537,574	8.28%	568,632	\$0.66	(19,528)	80,688
San Marcos	254	6,912,562	0	55,000	319,090	4.62%	429,237	\$0.58	(8,623)	(99,603)
Vista/Fallbrook	255	9,743,417	160,209	161,060	821,555	8.43%	1,287,673	\$0.70	115,486	104,862
Highway 78 Corridor Total	750	23,145,071	826,704	929,483	1,678,219	7.25%	2,285,542	\$0.68	87,335	85,947
I-15 Corridor										
Escondido	247	5,049,754	34,891	250,000	136,306	2.70%	295,987	\$0.78	7,126	65,715
Poway	152	6,798,294	115,674	353,100	175,748	2.59%	385,251	\$0.80	(91,641)	(66,349)
Rancho Bernardo	60	5,096,006	0	0	162,610	3.19%	298,741	\$0.90	53,947	46,418
Scripps Ranch	35	880,950	0	0	70,296	7.98%	80,644	\$1.09	0	(29,175)
I-15 Corridor Total	494	17,825,004	150,565	603,100	544,960	3.06%	1,060,623	\$0.86	(30,568)	16,609
North City										
Miramar	369	12,888,826	48,480	0	573,458	4.45%	654,292	\$0.85	(200,332)	21,178
Sorrento Mesa	88	4,716,932	0	0	433,310	9.19%	583,578	\$0.83	(130,379)	(108,969)
Sorrento Valley	64	1,484,120	0	0	106,401	7.17%	117,879	\$1.75	(29,342)	(18,383)
UTC	4	265,000	0	0	0	0.00%	0	\$0.00	0	0
North City Total	525	19,354,878	48,480	0	1,113,169	5.75%	1,355,749	\$0.89	(360,053)	(106,174)
North County										
Carlsbad	211	8,314,638	0	168,000	667,347	8.03%	667,347	\$0.87	40,998	(70,352)
North Beach Cities	11	686,570	0	0	190,000	27.67%	190,000	\$0.65	0	0
North County Total	222	9,001,208	0	168,000	857,347	9.52%	857,347	\$0.85	40,998	(70,352)
South Bay										
Chula Vista	192	7,927,271	662,957	115,000	302,459	3.82%	316,282	\$0.77	(30,236)	13,007
National City	79	3,089,340	0	0	72,411	2.34%	211,879	\$0.65	30,696	42,261
Otay Mesa	217	11,710,005	191,930	1,259,000	1,885,356	16.10%	2,051,638	\$0.55	578,724	780,579
San Ysidro	44	1,755,187	0	24,121	63,900	3.64%	63,900	\$0.66	23,498	(16,179)
East County	8	221,809	0	0	13,500	6.09%	25,772	\$0.00	(4,000)	(4,000)
South Bay Total	540	24,703,612	854,887	1,398,121	2,337,626	9.46%	2,669,471	\$0.58	598,682	815,668
San Diego County Total	3,779	132,962,542	1,936,636	3,141,384	8,183,911	6.16%	10,175,400	\$0.71	426,305	859,934

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

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2006

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

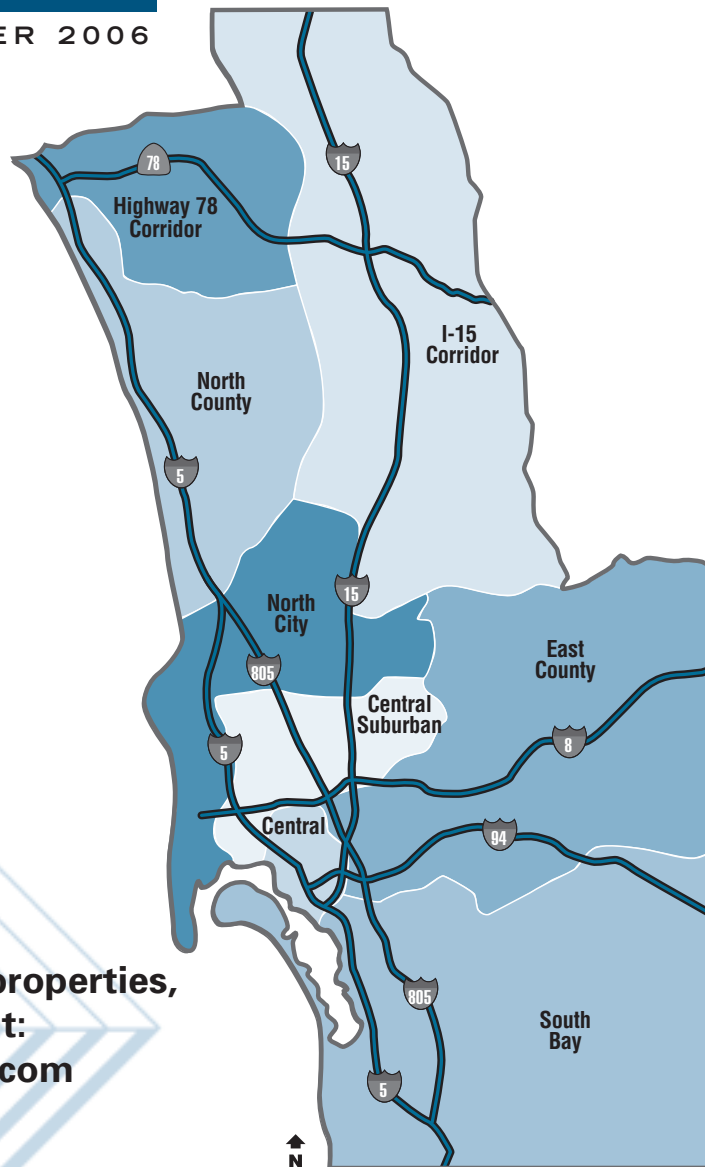
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro
East County



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