

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2007

Compared to last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



DOWN

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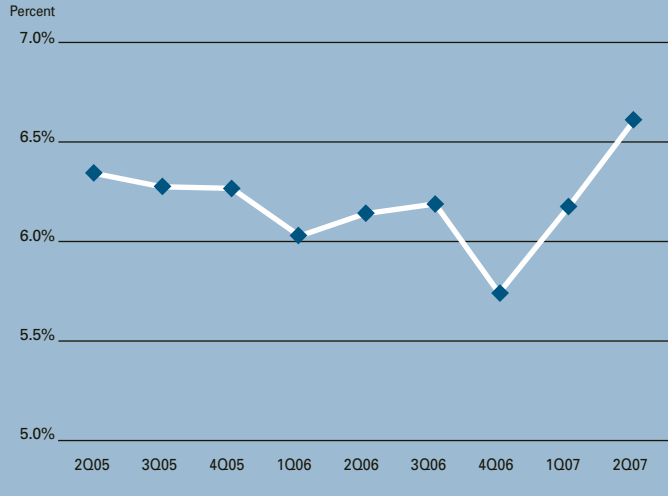
MARKET HIGHLIGHTS

- ◆ The Industrial vacancy rate was recorded at 6.61%, which is higher than it was a year ago when it was 6.16%. 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 \$0.75, which is an increase of 5.63% when compared to last year's figure, and represents a new record high. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to expand.
- ◆ Industrial absorption registered 201,850 square feet of positive net absorption during the second quarter of 2007, giving the San Diego Industrial Market a total of 106,569 square feet of negative absorption for the first half of 2007. Most of the positive absorption that has occurred, was in the Highway 78 Corridor and North City submarkets.
- ◆ Unemployment in the second quarter of 2007 in San Diego County is 4.2%, which is the same as it was when compared to the first quarter of 2007, and .05% higher than it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income, with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 974,554 square feet of Industrial construction underway, and total construction is down almost 50% when compared to a year ago. This is due to increasing land and construction costs.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 3,749,331 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,141,384.

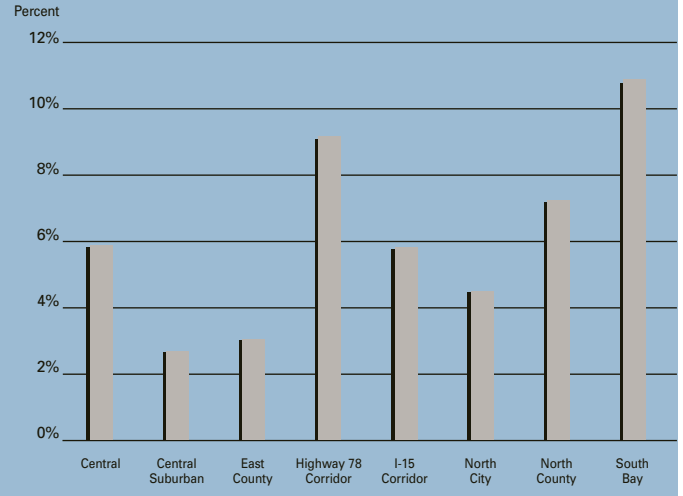
INDUSTRIAL MARKET STATISTICS

	2Q2007	1Q2007	2Q2006	% CHANGE VS. 2Q06
Under Construction	974,554	1,736,269	1,936,636	-49.68%
Planned Construction	3,749,331	4,059,193	3,141,384	19.35%
Vacancy	6.61%	6.18%	6.16%	7.31%
Availability	8.34%	7.41%	7.65%	9.02%
Pricing	\$0.75	\$0.73	\$0.71	5.63%
Net Absorption	201,850	-308,419	426,305	N/A

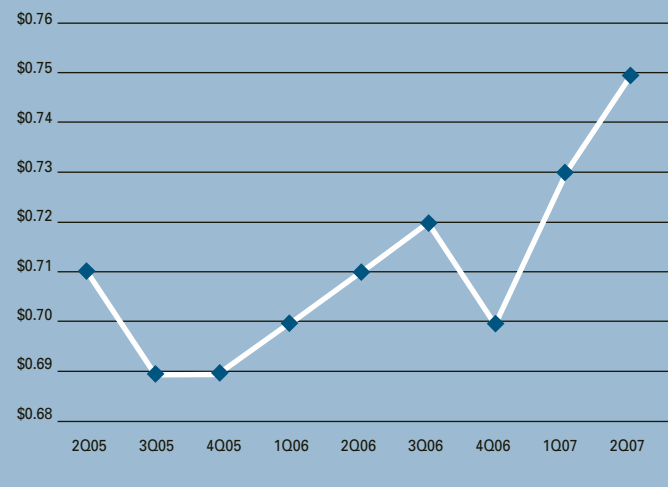
VACANCY RATE



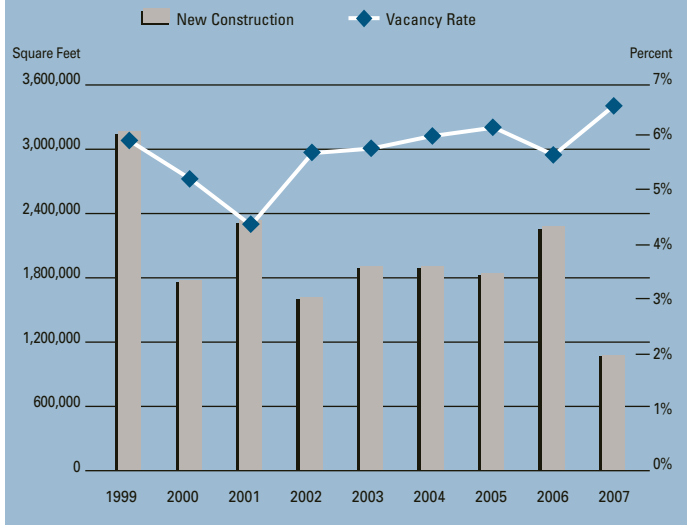
VACANCY RATE BY SUBMARKET



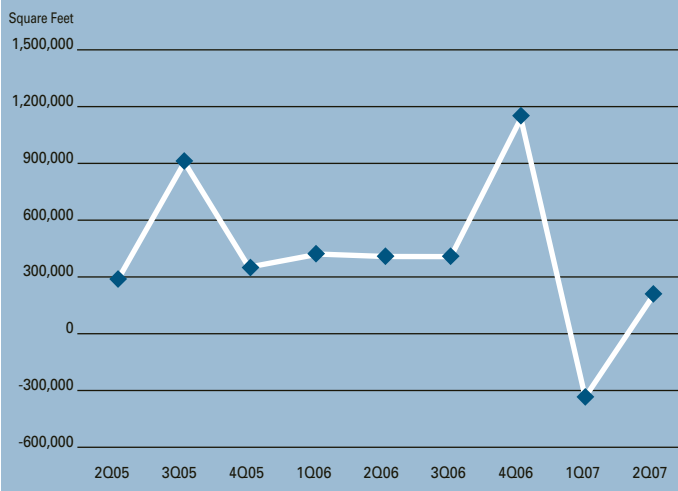
AVERAGE ASKING TRIPLE NET LEASE RATE



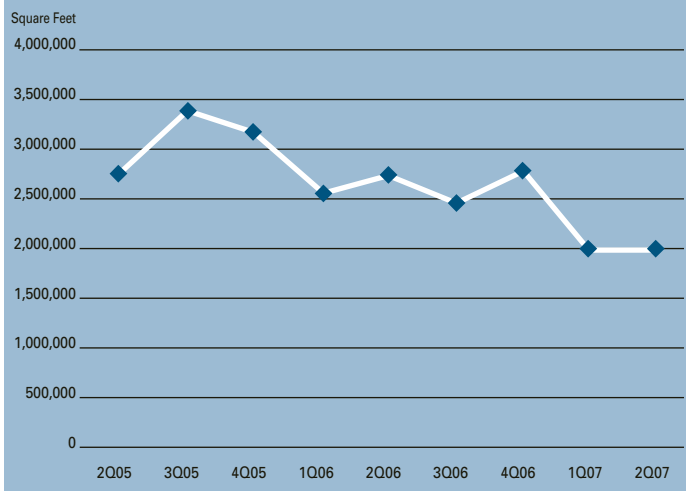
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



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 2Q2007	Total Availability 2Q2007	Average Asking Lease Rate	Net Absorption 2Q2007	Net Absorption 2006
Central										
Downtown	209	7,318,876	0	0	516,999	7.06%	521,881	\$0.67	(102,185)	(129,926)
East City	47	1,488,775	35,000	0	7,644	0.51%	50,374	\$0.00	(4,544)	(4,544)
Central Total	256	8,807,651	0	0	524,643	5.96%	572,255	\$0.67	(106,729)	(134,470)
Central Suburban										
Airport/Sports Arena	88	2,209,732	0	92,548	2,306	0.10%	60,068	\$0.76	13,400	34,125
Kearny Mesa	367	11,398,000	0	0	388,570	3.41%	307,418	\$1.19	(51,414)	(88,212)
Mission Gorge	59	1,966,043	0	0	109,776	5.58%	155,182	\$0.86	(3,527)	(18,936)
Rose Canyon/Morena	105	3,594,017	0	0	3,742	0.10%	4,677	\$1.25	22,768	17,737
Central Suburban Total	619	19,167,792	0	92,548	504,394	2.63%	527,345	\$0.90	(18,773)	(55,286)
East County										
El Cajon	282	8,616,765	0	0	222,052	2.58%	321,719	\$0.89	50,080	77,345
La Mesa/Spring Valley	48	1,345,382	0	0	25,794	1.92%	45,500	\$0.00	12,690	13,063
Santee/Lakeside	157	3,781,556	0	312,680	165,060	4.36%	250,641	\$0.79	18,485	(25,534)
East County	9	232,809	0	0	0	0.00%	12,272	\$0.00	0	9,500
East County Total	496	13,976,512	0	312,680	412,906	2.95%	630,132	\$0.84	81,255	74,374
Highway 78 Corridor										
Oceanside	264	7,363,206	133,017	935,136	877,123	11.91%	904,032	\$0.74	147,122	178,892
San Marcos	275	7,597,603	0	1,096,747	477,642	6.29%	599,251	\$0.69	(1,119)	(100,748)
Vista/Fallbrook	259	9,966,411	0	138,585	946,367	9.50%	1,115,826	\$0.72	4,239	(51,256)
Highway 78 Corridor Total	798	24,927,220	133,017	2,170,468	2,301,132	9.23%	2,619,109	\$0.72	150,242	26,888
I-15 Corridor										
Escondido	268	5,740,176	71,250	250,000	175,904	3.06%	311,645	\$0.86	(7,413)	71,049
Poway	149	7,383,540	42,645	385,500	625,057	8.47%	759,851	\$1.05	(50,337)	(258,526)
Rancho Bernardo	51	5,084,863	0	0	221,331	4.35%	401,060	\$0.90	35,384	68,265
Scripps Ranch	30	810,805	0	0	94,709	11.68%	113,108	\$1.03	(1,486)	(15,563)
I-15 Corridor Total	498	19,019,384	113,895	635,500	1,117,001	5.87%	1,585,664	\$0.99	(23,852)	(134,775)
North City										
Miramar	404	14,242,958	0	0	592,882	4.16%	832,857	\$0.88	35,398	8,949
Sorrento Mesa	96	5,058,181	0	0	335,915	6.64%	429,238	\$0.94	30,367	181,053
Sorrento Valley	65	1,540,793	0	0	41,255	2.68%	24,879	\$1.10	12,835	22,715
UTC	5	281,064	0	0	0	0.00%	0	\$0.00	0	0
North City Total	570	21,122,996	0	0	970,052	4.59%	1,286,974	\$0.89	78,600	212,717
North County										
Carlsbad	216	9,158,319	0	26,054	707,045	7.72%	984,734	\$0.97	116,004	55,420
North Beach Cities	15	516,997	0	0	0	0.00%	0	\$0.00	0	0
North County Total	231	9,675,316	0	26,054	707,045	7.31%	984,734	\$0.97	116,004	55,420
South Bay										
Chula Vista	206	8,837,627	183,194	65,000	407,777	4.61%	496,497	\$0.82	(24,251)	(172,616)
National City	84	3,723,754	0	0	158,650	4.26%	298,842	\$0.63	(13,785)	11,065
Otay Mesa	234	12,875,865	544,448	422,960	2,277,901	17.69%	2,850,631	\$0.58	(14,829)	57,298
San Ysidro	49	1,813,558	0	24,121	130,889	7.22%	150,210	\$0.64	(22,032)	(47,184)
South Bay Total	573	27,250,804	727,642	512,081	2,975,217	10.92%	3,796,180	\$0.61	(74,897)	(151,437)
San Diego County Total	4,041	143,947,675	974,554	3,749,331	9,512,390	6.61%	12,002,393	\$0.75	201,850	(106,569)

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

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2007

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
East County

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Escondido
Poway
Rancho Bernardo
Scripps Ranch

NORTH CITY

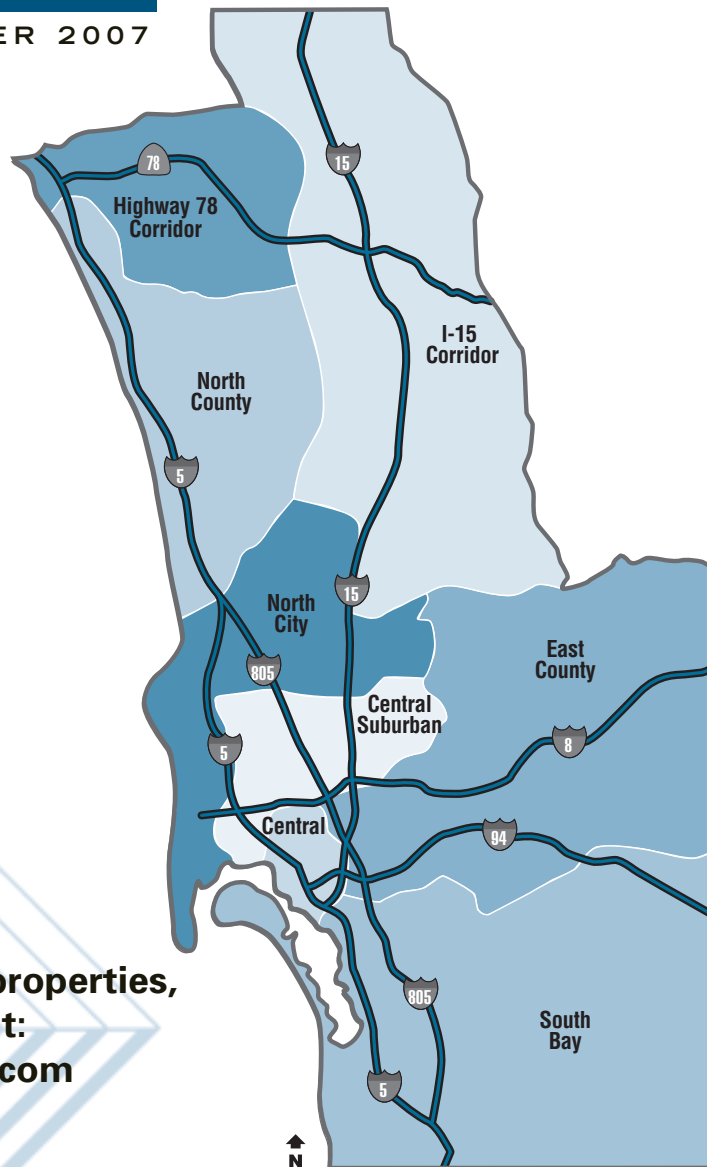
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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