



# Industrial Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

**Vacancy  
DOWN**

**Absorption  
UP**

**Lease Rates  
UP**

**Construction  
DOWN**

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## Market Highlights

- ◆ The Industrial vacancy rate was recorded at 5.98% for the second quarter of 2008, which is lower than it was a year ago when it was 6.61%. The lowest vacancy rate in the county can be found in the Central Suburban submarket, coming in at 2.08%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.74, which is one cent lower when compared to last year's figure of \$0.75. The highest rates in the county can be found in the Central Suburban and Downtown submarkets, where the average asking Triple Net lease rate is \$1.10 and \$1.00 per square foot respectively. Rental rates are expected to increase 1% to 3% in 2008.
- ◆ Industrial absorption registered 540,701 square feet of positive net absorption for the second quarter of 2008. Most of the positive absorption that occurred was in the I-15 Corridor and Highway 78 Corridor submarkets.
- ◆ The level of activity registered at 2.3 million square feet for the second quarter of 2008. This is up from the 2 million square feet of activity when compared to the same quarter last year, but still below the historical average of 2.75 million square feet per quarter. This drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics, most notably the credit crunch. However, the credit crunch has not directly impacted tenants or buyers of real estate for use, but rather investors. These conditions could result in an increase in activity in the second half of 2008 from pent up demand.
- ◆ According to the State of California Employment Development Department, San Diego County added 3,200 payroll jobs over the last twelve months. Between April 2008 and May 2008 San Diego County gained 3,100 jobs, mostly in the leisure & hospitality and government sectors.
- ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 nonfarm jobs with a 4.1% increase in total personal income in 2008, and they are forecasting 19,800 new jobs for 2009.
- ◆ The unemployment rate in San Diego County was 5.5% in May 2008, up from the revised 5.1% percent in April 2008, but above the year ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.2 percent for the nation during the same period.
- ◆ Currently there is 833,654 square feet of Industrial construction underway, and total construction is down just over 14.5% when compared to a year ago. This slow down is due to increasing land and construction costs and the general slow down of the US economic environment.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 2.8 million square feet of Industrial space on the slate as being planned, compared to last year's figure of 3.8 million square feet.

## INDUSTRIAL MARKET OVERVIEW

|                      | 2Q2008    | 1Q2008    | 2Q2007    | % CHANGE VS. 2Q07 |
|----------------------|-----------|-----------|-----------|-------------------|
| Under Construction   | 833,654   | 944,091   | 974,554   | -14.46%           |
| Planned Construction | 2,782,549 | 2,235,478 | 3,749,331 | -25.79%           |
| Vacancy              | 5.98%     | 6.22%     | 6.61%     | -9.53%            |
| Availability         | 7.97%     | 7.99%     | 8.34%     | -4.44%            |
| Pricing              | \$0.74    | \$0.73    | \$0.75    | -1.33%            |
| Net Absorption       | 540,701   | -543,803  | 201,850   | N/A               |

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RECENT TRANSACTIONS

Sales Activity

| Property Address       | Submarket       | Square Feet | Sale Price   | Buyer                  | Seller                           |
|------------------------|-----------------|-------------|--------------|------------------------|----------------------------------|
| 8870 Liquid Court      | Miramar         | 181,185     | \$25,550,000 | Reyes Holdings         | Liquid Investments, Inc.         |
| 10808 Willow Court     | Rancho Bernardo | 93,646      | \$15,700,000 | Gen-Probe Incorporated | Kelly Capital                    |
| 237 Via Vera Crus      | San Marcos      | 80,257      | \$14,800,000 | Bixby Land Company     | Veritek Real Estate Holdings LLC |
| 13500 Danielson Street | Poway           | 72,600      | \$12,300,000 | Bixby Land Company     | Hallmark Circuits, Inc.          |

Lease Activity

| Property Address              | Submarket     | Square Feet | Transaction Date | Tenant                  | Owner                  |
|-------------------------------|---------------|-------------|------------------|-------------------------|------------------------|
| 940 W 19th Street             | National City | 105,600     | April-08         | N/A                     | LGI Delaware LLC       |
| Carlsbad Corporate Center     | Carlsbad      | 73,480      | March-08         | Alphatec Holdings, Inc. | Fenton Carlsbad LLC    |
| North County Corporate Center | Vista         | 68,130      | June-08          | N/A                     | I&G Direct Real Estate |
| Siempre Viva Business Park    | Otay Mesa     | 68,130      | May-08           | The Paradigm Group      | ING Clarion Partners   |

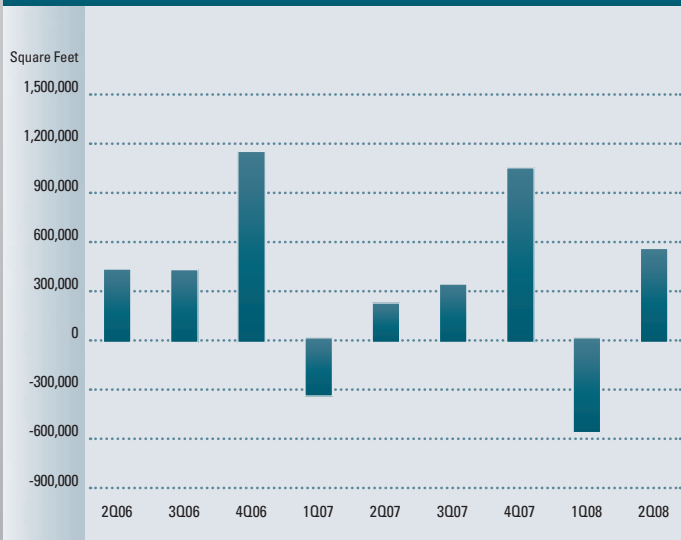
VACANCY RATE



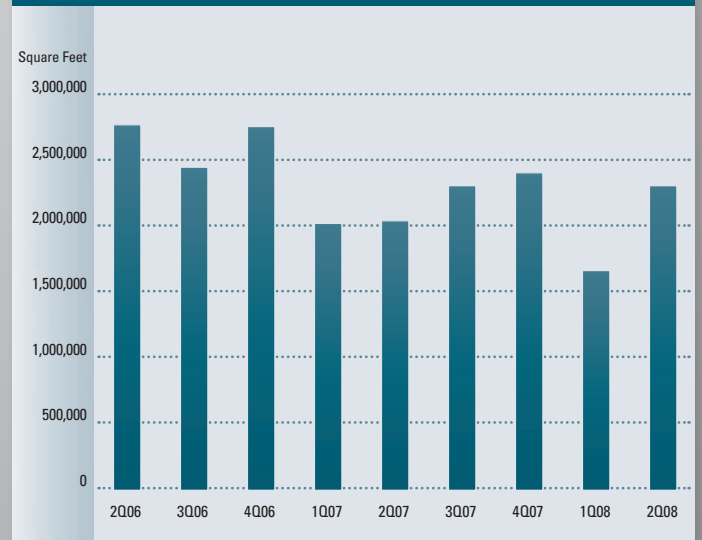
AVERAGE ASKING TRIPLE NET LEASE RATE



NET ABSORPTION



GROSS ABSORPTION



|                                  | INVENTORY           |                          |                   | VACANCY & LEASE RATES |                    |                     |                           |                           | ABSORPTION            |                     |                     |                     |
|----------------------------------|---------------------|--------------------------|-------------------|-----------------------|--------------------|---------------------|---------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
|                                  | Number Of Buildings | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned   | Square Feet Vacant | Vacancy Rate 2Q2008 | Total Availability 2Q2008 | Average Asking Lease Rate | Net Absorption 2Q2008 | Net Absorption 2008 | Net Absorption 2007 | Net Absorption 2006 |
| <b>Central</b>                   |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Downtown                         | 202                 | 7,104,570                | 0                 | 0                     | 355,047            | 5.00%               | 354,531                   | \$1.13                    | 171,661               | 55,790              | (96,590)            | 117,491             |
| East City                        | 54                  | 1,367,766                | 0                 | 0                     | 30,022             | 2.19%               | 78,771                    | \$0.82                    | 7,500                 | 7,178               | 1,400               | 75,965              |
| <b>Central Total</b>             | <b>256</b>          | <b>8,472,336</b>         | <b>0</b>          | <b>0</b>              | <b>385,069</b>     | <b>4.55%</b>        | <b>433,302</b>            | <b>\$1.00</b>             | <b>179,161</b>        | <b>62,968</b>       | <b>(95,190)</b>     | <b>193,456</b>      |
| <b>Central Suburban</b>          |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Airport/Sports Arena             | 88                  | 2,236,669                | 0                 | 92,548                | 18,256             | 0.82%               | 149,298                   | \$0.90                    | 10,500                | 42,550              | 13,125              | 50,690              |
| Kearny Mesa                      | 360                 | 11,101,328               | 0                 | 0                     | 195,602            | 1.76%               | 446,821                   | \$1.19                    | (36,878)              | (6,506)             | 111,262             | 177,485             |
| Mission Gorge                    | 74                  | 2,852,835                | 0                 | 0                     | 144,010            | 5.05%               | 213,311                   | \$0.91                    | 1,907                 | 8,079               | (53,449)            | 60,471              |
| Rose Canyon/Morena               | 95                  | 2,925,927                | 0                 | 0                     | 38,839             | 1.33%               | 44,991                    | \$1.20                    | (18,829)              | (16,566)            | (794)               | 10,629              |
| <b>Central Suburban Total</b>    | <b>617</b>          | <b>19,116,759</b>        | <b>0</b>          | <b>92,548</b>         | <b>396,707</b>     | <b>2.08%</b>        | <b>854,421</b>            | <b>\$1.10</b>             | <b>(43,300)</b>       | <b>27,557</b>       | <b>70,144</b>       | <b>299,275</b>      |
| <b>East County</b>               |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| El Cajon                         | 300                 | 9,272,583                | 0                 | 0                     | 203,049            | 2.19%               | 309,477                   | \$0.92                    | (44,229)              | (42,059)            | 126,562             | 85,247              |
| La Mesa/Spring Valley            | 66                  | 1,684,593                | 0                 | 0                     | 119,727            | 7.11%               | 137,801                   | \$0.54                    | (21,704)              | (73,758)            | (8,029)             | (3,748)             |
| Santee/Lakeside                  | 169                 | 4,121,904                | 22,749            | 337,781               | 98,510             | 2.39%               | 180,838                   | \$0.90                    | 19,420                | 9,331               | 25,334              | 229,349             |
| East County                      | 14                  | 506,460                  | 0                 | 0                     | 0                  | 0.00%               | 0                         | \$0.00                    | 0                     | 0                   | 9,500               | 0                   |
| <b>East County Total</b>         | <b>549</b>          | <b>15,585,540</b>        | <b>22,749</b>     | <b>337,781</b>        | <b>421,286</b>     | <b>2.70%</b>        | <b>628,116</b>            | <b>\$0.82</b>             | <b>(46,513)</b>       | <b>(106,486)</b>    | <b>153,367</b>      | <b>310,848</b>      |
| <b>Highway 78 Corridor</b>       |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Oceanside                        | 274                 | 7,899,030                | 218,824           | 818,148               | 737,867            | 9.34%               | 721,268                   | \$0.76                    | 129,743               | 70,126              | 367,919             | 301,160             |
| San Marcos                       | 279                 | 7,793,620                | 0                 | 136,747               | 567,538            | 7.28%               | 646,767                   | \$0.71                    | (32,441)              | (94,656)            | (31,109)            | 50,742              |
| Vista/Fallbrook                  | 265                 | 10,056,525               | 12,915            | 191,750               | 758,990            | 7.55%               | 972,986                   | \$0.82                    | 94,226                | 12,637              | 26,322              | 29,642              |
| <b>Highway 78 Corridor Total</b> | <b>818</b>          | <b>25,749,175</b>        | <b>231,739</b>    | <b>1,146,645</b>      | <b>2,064,395</b>   | <b>8.02%</b>        | <b>2,341,021</b>          | <b>\$0.77</b>             | <b>191,528</b>        | <b>(11,893)</b>     | <b>363,132</b>      | <b>381,544</b>      |
| <b>I-15 Corridor</b>             |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Escondido                        | 269                 | 5,748,568                | 36,527            | 250,000               | 168,846            | 2.94%               | 240,553                   | \$0.84                    | 55,757                | (11,204)            | 49,523              | (236)               |
| Poway                            | 139                 | 7,075,395                | 0                 | 431,400               | 167,612            | 2.37%               | 451,809                   | \$0.89                    | 68,068                | 117,802             | 84,331              | 98,980              |
| Rancho Bernardo                  | 52                  | 4,566,569                | 0                 | 0                     | 182,909            | 4.01%               | 491,076                   | \$0.98                    | 96,491                | (4,462)             | 89,249              | (114,951)           |
| Scripps Ranch                    | 28                  | 764,015                  | 0                 | 0                     | 44,585             | 5.84%               | 52,996                    | \$0.92                    | 3,429                 | 2,133               | 32,428              | (51,013)            |
| <b>I-15 Corridor Total</b>       | <b>488</b>          | <b>18,154,547</b>        | <b>36,527</b>     | <b>681,400</b>        | <b>563,952</b>     | <b>3.11%</b>        | <b>1,236,434</b>          | <b>\$0.89</b>             | <b>223,745</b>        | <b>104,269</b>      | <b>255,531</b>      | <b>(67,220)</b>     |
| <b>North City</b>                |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Miramar                          | 395                 | 13,671,663               | 0                 | 0                     | 577,929            | 4.23%               | 786,872                   | \$0.89                    | 11,380                | 153,295             | (137,590)           | 201,966             |
| Sorrento Mesa                    | 92                  | 4,967,935                | 0                 | 0                     | 332,708            | 6.70%               | 378,611                   | \$0.88                    | (98,202)              | (97,067)            | 281,327             | (77,680)            |
| Sorrento Valley                  | 61                  | 1,460,286                | 0                 | 0                     | 9,526              | 0.65%               | 39,563                    | \$1.25                    | 2,560                 | 7,240               | 47,204              | 33,623              |
| UTC                              | 4                   | 211,064                  | 0                 | 0                     | 0                  | 0.00%               | 0                         | \$0.00                    | 0                     | 0                   | 0                   | 0                   |
| <b>North City Total</b>          | <b>552</b>          | <b>20,310,948</b>        | <b>0</b>          | <b>0</b>              | <b>920,163</b>     | <b>4.53%</b>        | <b>1,205,046</b>          | <b>\$0.89</b>             | <b>(84,262)</b>       | <b>63,468</b>       | <b>190,941</b>      | <b>157,909</b>      |
| <b>North County</b>              |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Carlsbad                         | 223                 | 9,698,577                | 0                 | 26,054                | 889,709            | 9.17%               | 1,019,550                 | \$0.93                    | (34,879)              | (293,306)           | 246,670             | 171,012             |
| North Beach Cities               | 15                  | 568,124                  | 0                 | 0                     | 0                  | 0.00%               | 0                         | \$0.00                    | 0                     | 0                   | 0                   | 0                   |
| <b>North County Total</b>        | <b>238</b>          | <b>10,266,701</b>        | <b>0</b>          | <b>26,054</b>         | <b>889,709</b>     | <b>8.67%</b>        | <b>1,019,550</b>          | <b>\$0.93</b>             | <b>(34,879)</b>       | <b>(293,306)</b>    | <b>246,670</b>      | <b>171,012</b>      |
| <b>South Bay</b>                 |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Chula Vista                      | 229                 | 9,923,647                | 0                 | 20,000                | 711,819            | 7.17%               | 839,582                   | \$0.69                    | 27,492                | 32,747              | (77,580)            | 71,014              |
| National City                    | 85                  | 3,883,906                | 0                 | 0                     | 197,174            | 5.08%               | 54,660                    | \$0.00                    | 33,430                | 17,736              | (80,195)            | 59,907              |
| Otay Mesa                        | 252                 | 13,663,278               | 542,639           | 432,000               | 2,114,009          | 15.47%              | 2,936,901                 | \$0.55                    | 96,990                | 60,076              | 384,565             | 1,081,429           |
| San Ysidro                       | 47                  | 1,754,198                | 0                 | 46,121                | 122,369            | 6.98%               | 156,363                   | \$0.71                    | (2,691)               | 6,762               | (43,626)            | 14,255              |
| <b>South Bay Total</b>           | <b>613</b>          | <b>29,225,029</b>        | <b>542,639</b>    | <b>498,121</b>        | <b>3,145,371</b>   | <b>10.76%</b>       | <b>3,987,506</b>          | <b>\$0.57</b>             | <b>155,221</b>        | <b>117,321</b>      | <b>183,164</b>      | <b>1,226,605</b>    |
| <b>San Diego County Total</b>    | <b>4,131</b>        | <b>146,881,035</b>       | <b>833,654</b>    | <b>2,782,549</b>      | <b>8,786,652</b>   | <b>5.98%</b>        | <b>11,705,396</b>         | <b>\$0.74</b>             | <b>540,701</b>        | <b>(36,102)</b>     | <b>1,367,759</b>    | <b>2,673,429</b>    |

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

CONSTRUCTION UPDATE

**Under Construction**

| Property Address                            | Submarket | Square Feet | Estimate Delivery | Recorded Owner              |
|---|-----------|-------------|-------------------|-----------------------------|
| 2729 Martinez Ranch                         | Otay Mesa | 269,687     | N/A               | N/A                         |
| Pacific Coast Bussiness Park - 10 Buildings | Oceanside | 218,824     | December-08       | AMB Properties Corporation  |
| Siempre Viva Business Park                  | Otay Mesa | 159,631     | August-08         | Siempre Viva Busn Park West |
| Britannia Industrial Park                   | Otay Mesa | 102,440     | N/A               | Kearny Real Estate Company  |

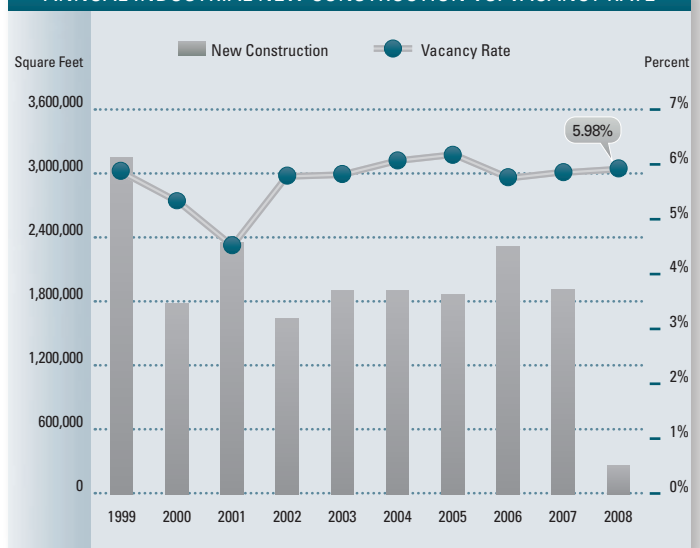
**Recent Deliveries**

| Property Address                        | Submarket | Square Feet | Date Delivered | Recorded Owner           |
|---|-----------|-------------|----------------|--------------------------|
| Britannia Industrial Park - 5 Buildings | Otay Mesa | 156,068     | June-08        | N/A                      |
| Venture Commerce Center - 27 Buildings  | Otay Mesa | 98,250      | February-08    | Lbvcc Otay Mesa LLC      |
| 8527 Avenida Costa Sur                  | Otay Mesa | 55,380      | January-08     | Siempre Viva III, LLC    |
| Spectrum Flex at Bressi Ranch           | Carlsbad  | 11,080      | February-08    | Kelly Capital Group Inc. |

**Product Type**

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.

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. VACANCY RATE



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