



**Voit**  
Real Estate Services

# Industrial Market Report

Compared to last quarter:

Vacancy



UP

Net Absorption



DOWN

Lease Rates



DOWN

Transactions



DOWN

## Market Highlights

- ◆ **Market Challenges** - The San Diego County Industrial market is facing challenges due to the national recession. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between “ask” and “bid” pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the second quarter. Another challenge the industrial market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. These contractions have led to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently there is 214,532 square feet of Industrial construction underway, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed in this infill market.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 7.74%, which is higher than it was a year ago when it was 5.88%. The lowest vacancy rate in the county can be found in the Central Suburban market coming in at 3.4%.
- ◆ **Availability** - Direct/sublease space being marketed was 11% this quarter, up from the 8% we saw this same quarter last year. This is an increase of 37.5% of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$.71 cents per square foot per month this quarter. This is a decrease of 4% when compared to last year’s asking rate of \$.74 and three cents lower than last quarter. The record high rate for asking lease rates was recorded in the third and fourth quarter of 2008 when it was \$.76.
- ◆ **Absorption** - The county posted just under one million square feet of negative absorption for the second quarter of 2009, giving the industrial market a total of 1.13 million square feet of negative absorption for the first two quarters of the year.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 775,952 square feet. The average amount of leasing per quarter over the past nine quarters was 1.5 million square feet. Sales activity showed a decrease over last quarter, posting 725,000 square feet of activity compared to the first quarter’s 1.2 million square feet. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in San Diego County was 9.4% in May 2009, up from a revised 9.2% in April 2009, and above the year ago estimate of 5.4%. This compares with an unadjusted unemployment rate of 11.2% for California and 9.1% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, San Diego County lost 52,200 payroll jobs over the last twelve months – 11,500 in retail trade, transportation and utilities services and 11,100 in construction. However, between April 2009 and May 2009 San Diego County only lost 2,800 jobs.
- ◆ **Overall** - Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

To view available properties, electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.** - Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services - Lic.#01333376

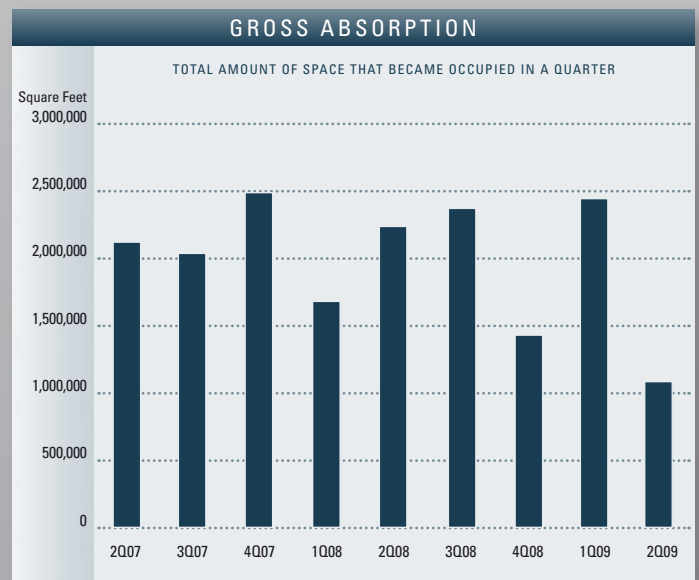
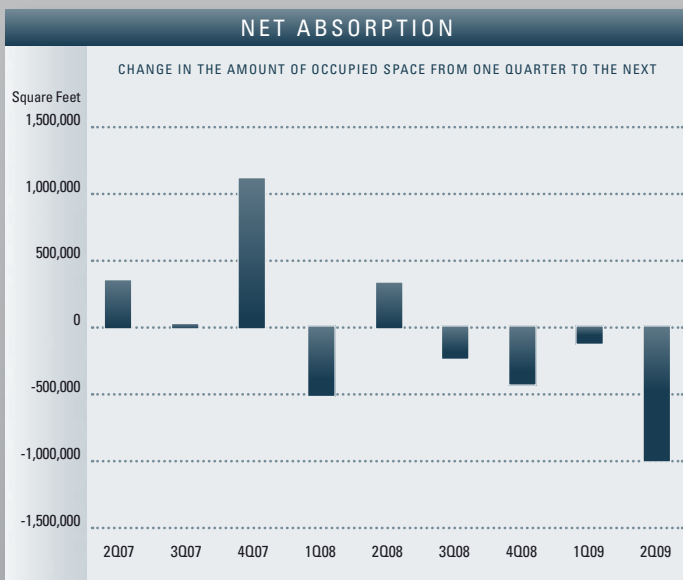
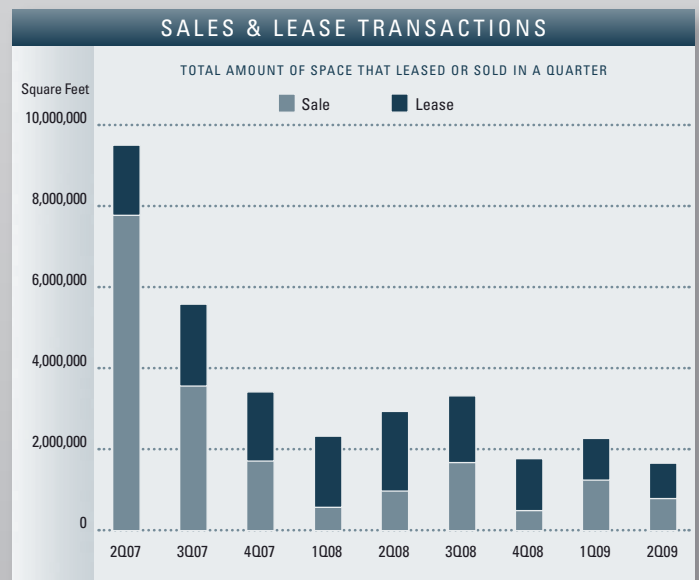
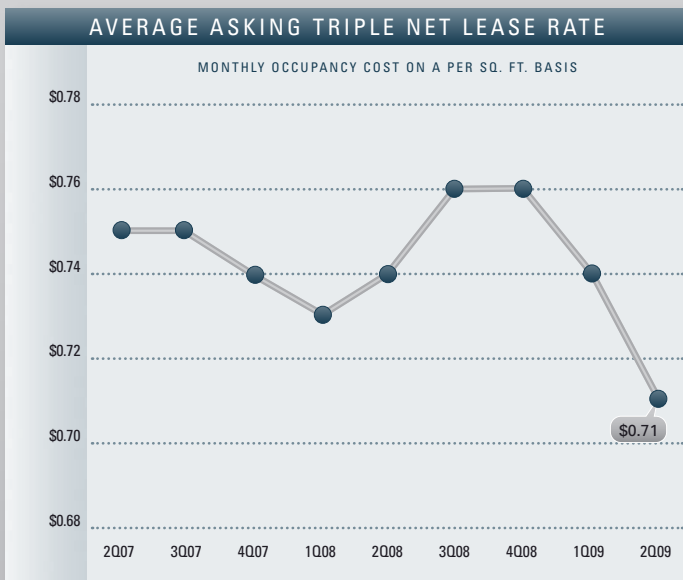
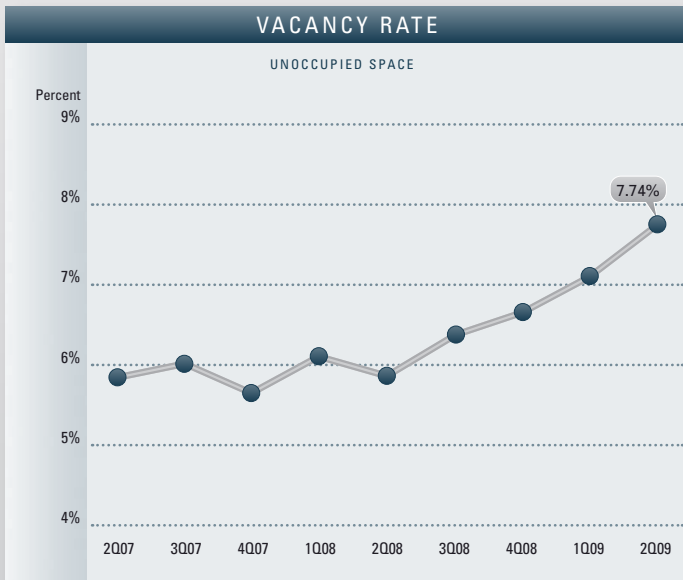
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

## INDUSTRIAL MARKET OVERVIEW

	2Q2009	1Q2009	2Q2008	% CHANGE VS. 2Q08
Vacancy	7.74%	7.09%	5.88%	31.63%
Availability	10.96%	10.21%	7.97%	37.52%
Average Asking Lease Rate	\$0.71	\$0.74	\$0.74	-4.05%
Sale & Lease Transactions	1,501,657	2,297,473	2,885,825	-47.96%
Net Absorption	-990,611	-133,911	329,978	N/A



**Real People. Real Solutions.**



	INVENTORY				VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2009	Total Availability 2Q2009	Average Asking Lease Rate	Net Absorption 2Q2009	Net Absorption 2009	Gross Absorption 2Q2009	Gross Absorption 2009
<b>Central</b>												
Downtown	182	6,251,471	0	0	358,597	5.74%	381,697	\$0.75	(35,138)	(119,463)	23,761	45,061
East City	54	1,702,598	0	0	49,923	2.93%	80,523	\$0.00	(10,000)	(3,327)	0	24,822
<b>Central Total</b>	<b>236</b>	<b>7,954,069</b>	<b>0</b>	<b>0</b>	<b>408,520</b>	<b>5.14%</b>	<b>462,220</b>	<b>\$0.75</b>	<b>(45,138)</b>	<b>(122,790)</b>	<b>23,761</b>	<b>69,883</b>
<b>Central Suburban</b>												
Airport/Sports Arena	87	3,165,243	92,548	0	23,876	0.75%	99,738	\$0.00	10,334	10,608	16,334	32,358
Kearny Mesa	348	10,856,367	0	0	393,779	3.63%	488,268	\$0.98	(58,905)	(144,813)	46,257	126,231
Mission Gorge	73	2,793,241	0	0	131,415	4.70%	158,679	\$0.85	(2,641)	82,117	12,418	120,134
Rose Canyon/Morena	95	3,100,418	0	0	129,003	4.16%	187,520	\$0.69	7,865	(11,683)	23,614	27,146
<b>Central Suburban Total</b>	<b>603</b>	<b>19,915,269</b>	<b>92,548</b>	<b>0</b>	<b>678,073</b>	<b>3.40%</b>	<b>934,205</b>	<b>\$0.92</b>	<b>(43,347)</b>	<b>(63,771)</b>	<b>98,623</b>	<b>305,869</b>
<b>East County</b>												
El Cajon	302	9,404,604	0	0	661,862	7.04%	841,646	\$0.78	(181,943)	(233,420)	31,137	162,105
La Mesa/Spring Valley	67	1,809,733	0	0	128,660	7.11%	200,139	\$0.84	3,979	(28,570)	15,187	15,887
Santee/Lakeside	176	4,192,770	0	200,000	186,041	4.44%	232,629	\$1.18	(23,269)	1,238	27,577	100,954
East County	14	506,460	0	0	4,000	0.79%	4,000	\$0.00	1,000	1,000	1,000	12,008
<b>East County Total</b>	<b>559</b>	<b>15,913,567</b>	<b>0</b>	<b>200,000</b>	<b>980,563</b>	<b>6.16%</b>	<b>1,278,414</b>	<b>\$0.83</b>	<b>(200,233)</b>	<b>(259,752)</b>	<b>74,901</b>	<b>290,954</b>
<b>Highway 78 Corridor</b>												
Oceanside	285	8,502,078	0	601,562	845,668	9.95%	1,044,486	\$0.67	(64,206)	(46,106)	71,077	228,376
San Marcos	276	7,987,877	0	55,000	645,263	8.08%	837,452	\$0.66	(70,715)	(16,427)	35,716	129,021
Vista/Fallbrook	265	10,150,451	121,984	101,125	798,450	7.87%	1,124,974	\$0.70	(44,043)	(67,737)	78,411	163,927
<b>Highway 78 Corridor Total</b>	<b>826</b>	<b>26,640,406</b>	<b>121,984</b>	<b>757,687</b>	<b>2,289,381</b>	<b>8.59%</b>	<b>3,006,912</b>	<b>\$0.68</b>	<b>(178,964)</b>	<b>(130,270)</b>	<b>185,204</b>	<b>521,324</b>
<b>I-15 Corridor</b>												
Escondido	271	5,872,621	0	0	516,695	8.80%	772,775	\$0.84	(100,229)	(238,879)	38,388	58,365
Poway	144	7,234,900	0	431,400	340,582	4.71%	735,674	\$0.82	(29,183)	(65,053)	24,160	165,994
Rancho Bernardo	51	4,204,905	0	0	155,812	3.71%	614,500	\$0.95	52,387	49,414	63,123	153,947
Scripps Ranch	27	743,319	0	0	48,132	6.48%	48,132	\$0.88	14,658	12,738	31,542	31,542
<b>I-15 Corridor Total</b>	<b>493</b>	<b>18,055,745</b>	<b>0</b>	<b>431,400</b>	<b>1,061,221</b>	<b>5.88%</b>	<b>2,171,081</b>	<b>\$0.87</b>	<b>(62,367)</b>	<b>(241,780)</b>	<b>157,213</b>	<b>409,848</b>
<b>North City</b>												
Miramar	393	13,905,580	0	0	1,136,322	8.17%	1,892,841	\$0.77	(157,657)	(336,674)	188,904	373,770
Sorrento Mesa	85	4,611,473	0	0	254,503	5.52%	459,163	\$0.84	23,820	(6,412)	55,857	76,639
Sorrento Valley	55	1,317,592	0	0	66,718	5.06%	102,110	\$0.00	(13,455)	(35,406)	14,906	32,139
UTC	3	151,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
<b>North City Total</b>	<b>536</b>	<b>19,985,709</b>	<b>0</b>	<b>0</b>	<b>1,457,543</b>	<b>7.29%</b>	<b>2,454,114</b>	<b>\$0.78</b>	<b>(147,292)</b>	<b>(378,492)</b>	<b>259,667</b>	<b>482,548</b>
<b>North County</b>												
Carlsbad	218	9,495,602	0	26,632	933,101	9.83%	1,211,698	\$0.92	(13,722)	(148,138)	141,011	327,174
North Beach Cities	19	613,784	0	0	0	0.00%	0	\$0.00	0	0	0	0
<b>North County Total</b>	<b>237</b>	<b>10,109,386</b>	<b>0</b>	<b>26,632</b>	<b>933,101</b>	<b>9.23%</b>	<b>1,211,698</b>	<b>\$0.92</b>	<b>(13,722)</b>	<b>(148,138)</b>	<b>141,011</b>	<b>327,174</b>
<b>South Bay</b>												
Chula Vista	229	9,630,991	0	20,000	644,210	6.69%	741,998	\$0.56	(113,081)	(98,483)	31,594	173,702
National City	85	3,784,633	0	0	47,070	1.24%	58,509	\$0.00	(16,944)	(15,902)	5,383	8,772
Otay Mesa	268	14,828,515	0	757,100	2,851,203	19.23%	3,602,649	\$0.54	(153,084)	341,061	129,627	943,461
San Ysidro	49	1,840,668	0	46,121	153,789	8.36%	372,374	\$0.62	(16,439)	(12,213)	1,740	20,016
<b>South Bay Total</b>	<b>631</b>	<b>30,084,807</b>	<b>0</b>	<b>823,221</b>	<b>3,696,272</b>	<b>12.29%</b>	<b>4,775,530</b>	<b>\$0.54</b>	<b>(299,548)</b>	<b>214,463</b>	<b>168,344</b>	<b>1,145,951</b>
<b>San Diego County Total</b>	<b>4,121</b>	<b>148,658,958</b>	<b>214,532</b>	<b>2,238,940</b>	<b>11,504,674</b>	<b>7.74%</b>	<b>16,294,174</b>	<b>\$0.71</b>	<b>(990,611)</b>	<b>(1,130,530)</b>	<b>1,108,724</b>	<b>3,553,551</b>

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

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
350 Camino De La Reina - 6 Properties	San Diego	547,036	\$51,200,000	Platinum Equity	Copley Press Inc.
9020 Activity Road - 4 Properties	Miramar	251,318	\$26,210,000	A & B Properties	AMB Property Corporation
11075 Roselle Street - 3 Properties	Sorrento Valley	64,014	\$14,449,500	Genzyme Diagnostics	ARE-QRS Corporation
980 Rancheros Drive	San Marcos	48,000	\$4,200,000	Hocking International Chemical	MDC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6154 Nancy Ridge	Miramar	75,600	April-09	Arena Pharmaceuticals, Inc.	BioMed Realty Trust, Inc.
980 Rancheros Drive	San Marcos	48,000	May-09	Hocking International Chemical	Rancho Del Rio Ents LLC
5823 Newton Drive	Carlsbad	47,829	June-09	Pro Performance Sports, LLC	RPH Industrial LLC
13000 Kirkham Way	Poway	34,843	April-09	Masco Contractor Services	Ravenwood Towers, 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

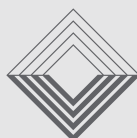


For further information, please contact:

<p><b>ANAHEIM METRO OFFICE</b> 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p><b>IRVINE OFFICE</b> 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p><b>LAS VEGAS OFFICE</b> 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p><b>NEWPORT BEACH OFFICE</b> 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p><b>SAN DIEGO OFFICE</b> 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
--	--	--	---	---

To view available properties, electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)



**Voit**  
Real Estate Services  
Lic.#01333376



**Real People. Real Solutions.**

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a triple net basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.