

INDUSTRIAL MARKET REPORT

THIRD
QUARTER
2004

Compared to
last quarter:

VACANCY

DOWN



ABSORPTION

DOWN



LEASE RATES

DOWN



CONSTRUCTION



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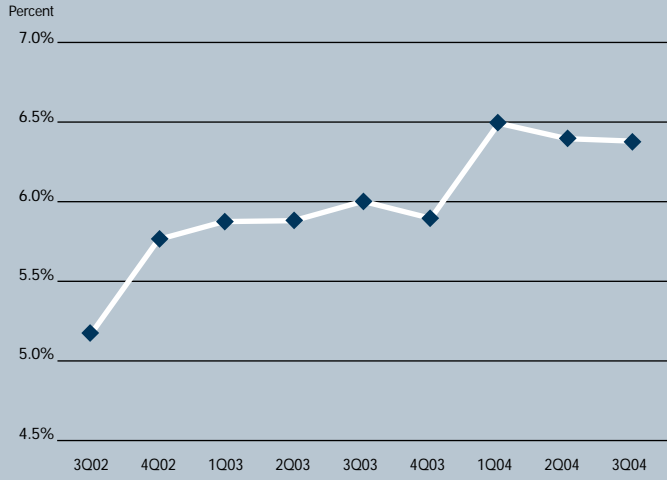
MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2004 in San Diego County is 3.7%, which is a decrease of 0.4% since the second quarter of 2004 and down from the 4.3% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 1,407,443 square feet of Industrial construction underway, and total construction is up by almost 35% compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 4,861,206 square feet of Industrial space on the slate as being planned, compared to last year's figure of 1,590,465.
- ◆ The Industrial vacancy rate is checking in at 6.40%, which is about the same as last quarter when it was 6.42%. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area.
- ◆ Rental rates are expected to remain somewhat flat with the possibility of growth during the second half of 2004 as the economy improves.
- ◆ Industrial absorption checked in at 89,639 square feet of positive net absorption during third quarter of 2004, giving the San Diego Industrial Market a total of 617,345 square feet of positive absorption for 2004.

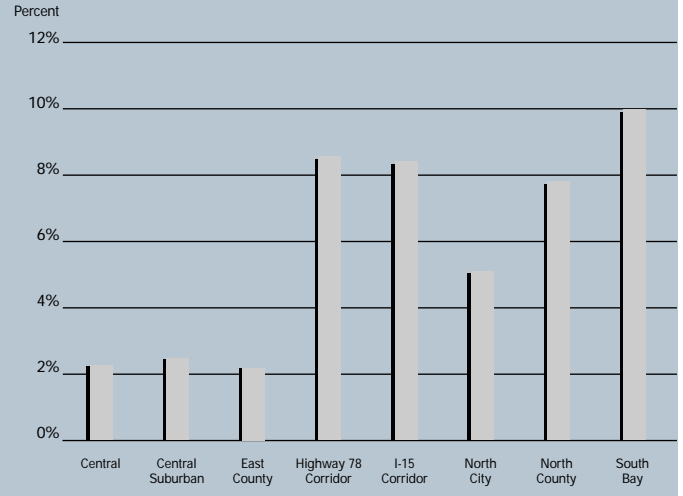
INDUSTRIAL MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	1,407,443	1,041,149	1,048,859	34.19%
Planned Construction	4,861,206	2,744,499	1,724,501	181.89%
Vacancy	6.40%	6.42%	6.51%	-1.69%
Availability	8.77%	9.29%	9.30%	-5.70%
Pricing	\$0.64	\$0.65	\$0.65	-1.54%
Net Absorption	89,639	437,702	-163,380	N/A

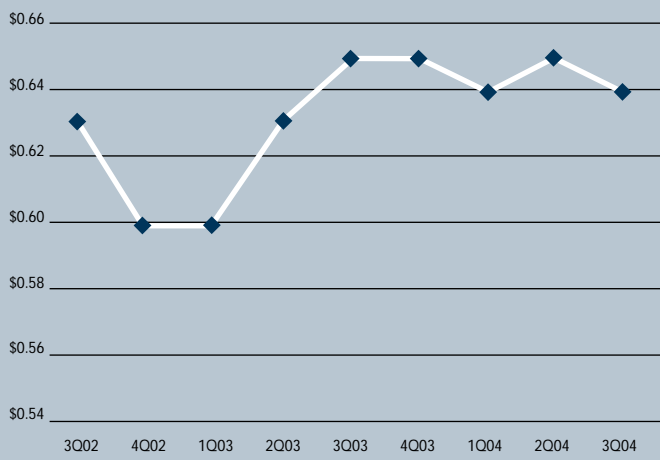
VACANCY RATE



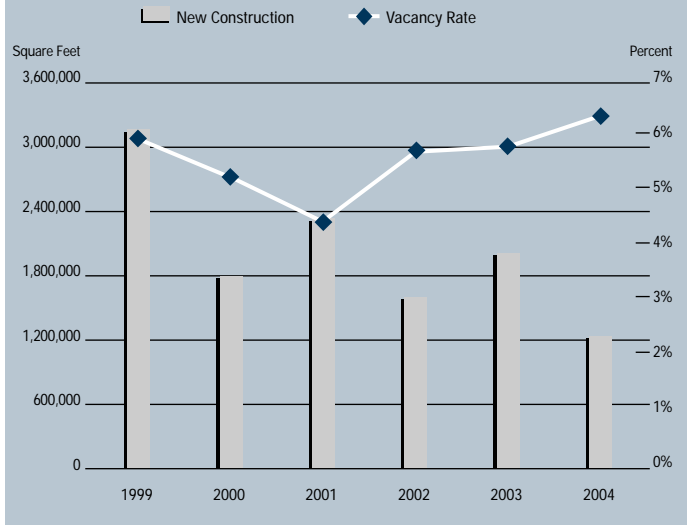
VACANCY RATE BY SUBMARKET



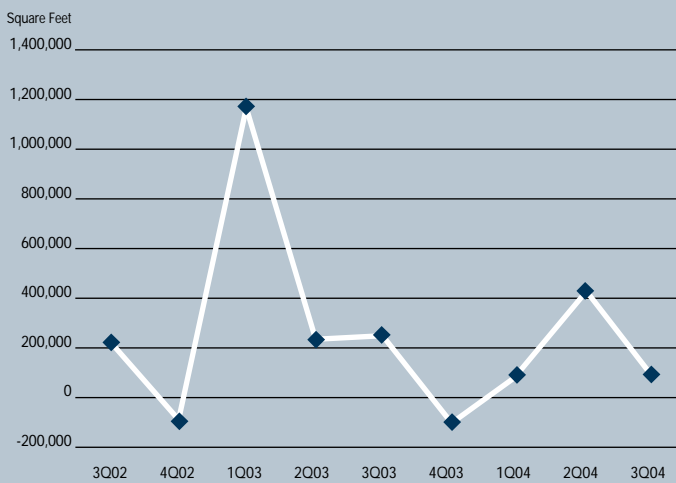
AVERAGE ASKING TRIPLE NET LEASE RATE



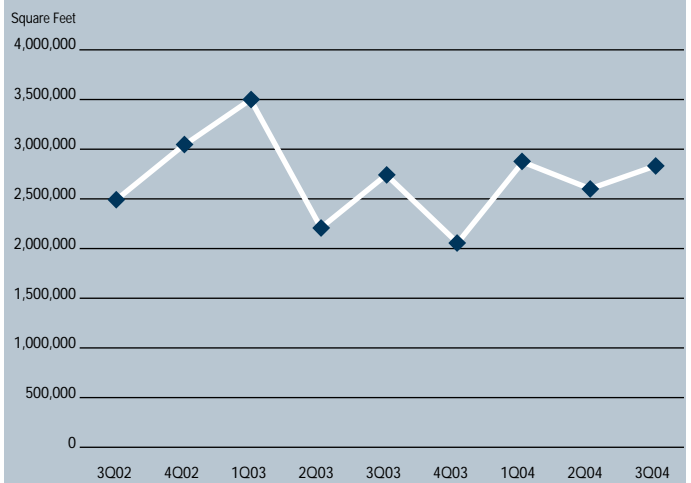
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



S A N D I E G O C O U N T Y

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 3Q2004	Total Availability 3Q2004	Average Asking Lease Rate	Net Absorption 3Q2004	Net Absorption 2004
Central										
Downtown	233	8,837,467	0	0	196,004	2.22%	382,241	\$0.55	(3,591)	(24,198)
East City	46	1,476,967	0	72,000	49,078	3.32%	80,520	\$0.65	(10,185)	(18,158)
Central Total	279	10,314,434	0	72,000	245,082	2.38%	462,761	\$0.58	(13,776)	(42,356)
Central Suburban										
Airport/Sports Arena	75	1,809,188	0	0	78,731	4.35%	142,931	\$0.73	22,280	(11,213)
Kearny Mesa	380	11,664,137	0	45,000	246,266	2.11%	665,262	\$0.84	(47,309)	(53,337)
Mission Gorge	55	1,718,343	0	0	98,946	5.76%	98,946	\$0.70	(14,341)	(29,462)
Rose Canyon/Morena	92	2,583,375	0	0	44,107	1.71%	56,185	\$1.10	11,982	(3,310)
Central Suburban Total	602	17,775,043	0	45,000	468,050	2.63%	963,324	\$0.81	(27,388)	(97,322)
East County										
El Cajon	222	6,943,445	0	12,000	193,825	2.79%	399,489	\$0.59	5,887	(30,032)
La Mesa/Spring Valley	51	1,362,830	0	0	62,904	4.62%	67,209	\$0.70	(8,648)	73,801
Santee/Lakeside	124	3,380,531	0	46,680	7,080	0.21%	10,080	\$0.00	19,348	253,056
East County Total	397	11,686,806	0	58,680	263,809	2.26%	476,778	\$0.61	16,587	296,825
Highway 78 Corridor										
Oceanside	210	5,366,194	0	922,092	413,017	7.70%	554,767	\$0.58	140,712	137,369
San Marcos	238	6,439,268	0	40,000	489,937	7.61%	504,342	\$0.56	70,470	46,207
Vista/Fallbrook	247	9,231,009	25,000	234,395	918,428	9.95%	1,134,101	\$0.63	154,146	334,031
Highway 78 Corridor Total	695	21,036,471	25,000	1,196,487	1,821,382	8.66%	2,193,210	\$0.61	365,328	517,607
I-15 Corridor										
Escondido	247	5,035,303	0	250,000	299,695	5.95%	340,258	\$1.16	63,376	83,467
Poway	140	6,185,907	404,053	0	372,057	6.01%	655,625	\$0.72	18,325	135,586
Rancho Bernardo	62	5,474,883	0	0	739,512	13.51%	899,076	\$0.63	(230,659)	39,750
Scripps Ranch	36	903,577	0	63,300	78,943	8.74%	110,298	\$0.82	36,159	(7,101)
I-15 Corridor Total	485	17,599,670	404,053	313,300	1,490,207	8.47%	2,005,257	\$0.72	(112,799)	251,702
North City										
Miramar	385	13,159,193	0	252,000	639,829	4.86%	1,082,663	\$0.65	113,019	33,462
Sorrento Mesa	94	4,865,797	0	0	239,086	4.91%	343,695	\$0.85	7,023	152,833
Sorrento Valley	70	1,606,934	0	0	133,057	8.28%	169,977	\$1.10	37,164	17,729
UTC	5	306,794	16,316	0	0	0.00%	0	\$0.00	0	0
North City Total	554	19,938,718	16,316	252,000	1,011,972	5.08%	1,596,335	\$0.72	157,206	204,024
North County										
Carlsbad	220	8,551,113	0	29,898	708,480	8.29%	873,558	\$0.70	(18,974)	234,519
North Beach Cities	10	494,270	0	0	8,243	1.67%	8,243	\$0.00	(6,700)	(7,243)
North County Total	230	9,045,383	0	29,898	716,723	7.92%	881,801	\$0.70	(25,674)	227,276
South Bay										
Chula Vista	193	8,812,476	79,398	450,000	889,321	10.09%	944,162	\$0.57	(96,156)	(414,579)
National City	78	3,076,201	0	0	71,296	2.32%	71,296	\$0.00	(66,490)	(28,021)
Otay Mesa	174	9,714,057	882,676	2,419,720	1,317,158	13.56%	1,803,835	\$0.52	(108,739)	(299,201)
San Ysidro	45	1,701,807	0	24,121	64,581	3.79%	64,581	\$0.57	1,540	1,390
South Bay Total	490	23,304,541	962,074	2,893,841	2,342,356	10.05%	2,883,874	\$0.54	(269,845)	(740,411)
San Diego County Total	3,732	130,701,066	1,407,443	4,861,206	8,359,581	6.40%	11,463,340	\$0.64	89,639	617,345

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

INDUSTRIAL MARKET REPORT

THIRD QUARTER 2004

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

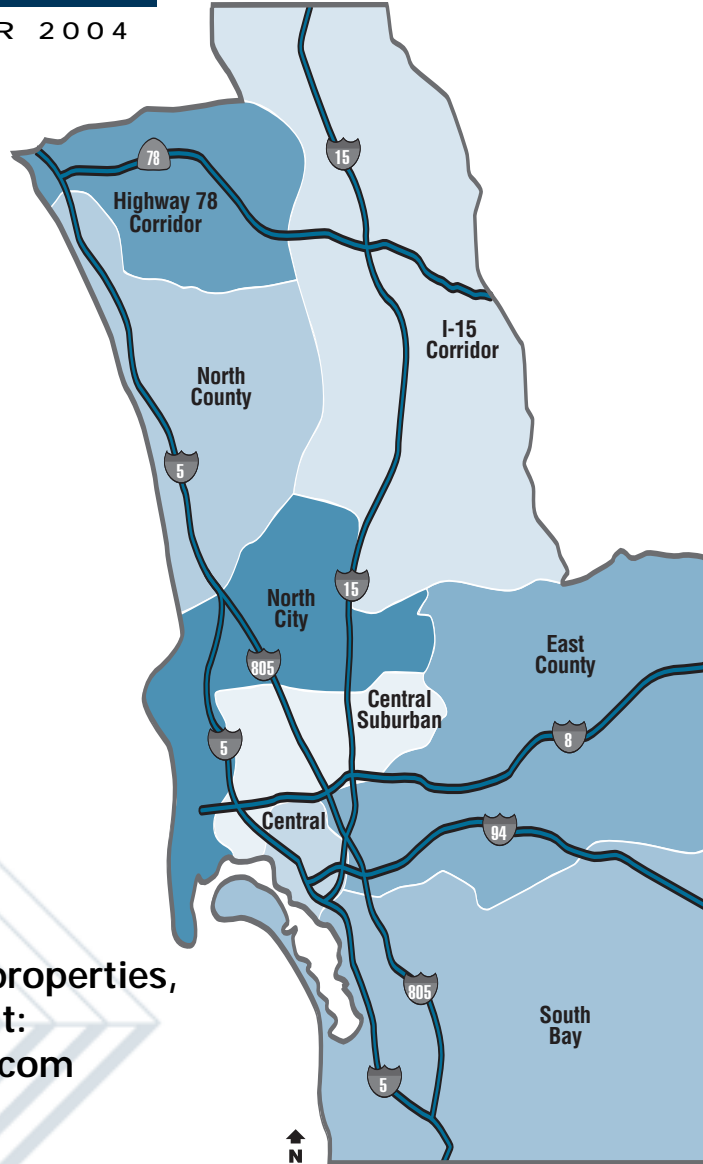
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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