

INDUSTRIAL MARKET REPORT

THIRD
QUARTER
2005

Compared to
last quarter:

VACANCY

DOWN



ABSORPTION



UP

LEASE RATES

DOWN



CONSTRUCTION

DOWN



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MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2005 in San Diego County is 4.3%, which is an increase of 0.5% since the second quarter of 2005 and up from the 3.7% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 1,404,785 square feet of Industrial construction underway, and total construction is about the same as it was a year ago.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 3,278,654 square feet of Industrial space on the slate as being planned, compared to last year's figure of 4,861,206.
- ◆ The Industrial vacancy rate is checking in at 6.27%, which is down from last quarter 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 \$0.69, which is a 7.81% increase over last year's third quarter rate of \$.64. Rental rates are expected to increase 7 to 10% in 2005 as the economy continues to expand.
- ◆ Industrial absorption checked in at 923,922 square feet of positive net absorption during third quarter of 2005, giving the San Diego Industrial Market a total of 1,673,544 square feet of positive absorption for 2005.

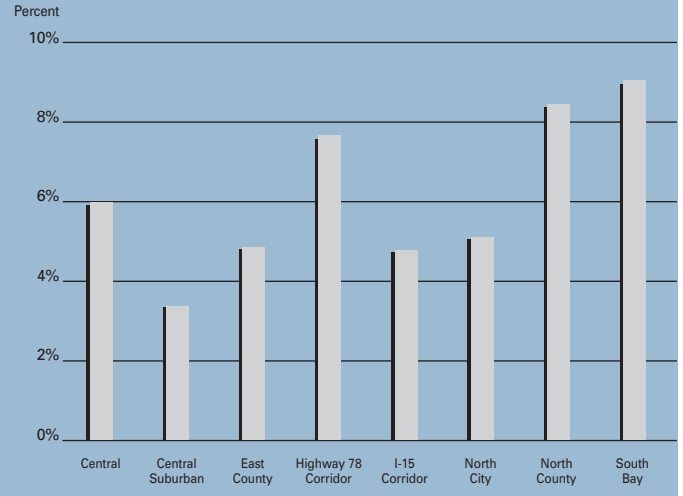
INDUSTRIAL MARKET STATISTICS

	3Q2005	2Q2005	3Q2004	% CHANGE VS. 3Q04
Under Construction	1,404,785	2,138,838	1,407,443	-0.19%
Planned Construction	3,278,654	2,788,089	4,861,206	-32.55%
Vacancy	6.27%	6.36%	6.40%	-2.03%
Availability	8.13%	8.14%	8.77%	-7.30%
Pricing	\$0.69	\$0.71	\$0.64	7.81%
Net Absorption	923,922	290,350	89,639	930.71%

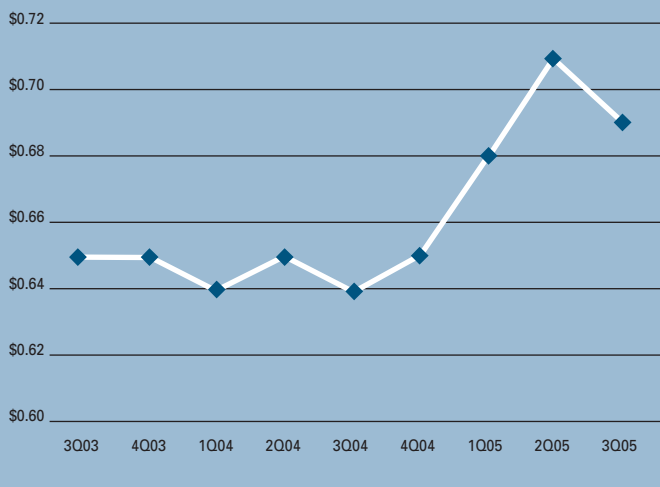
VACANCY RATE



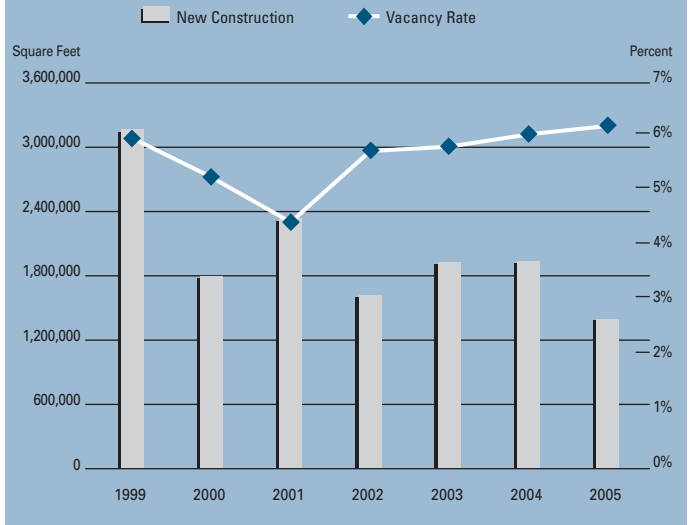
VACANCY RATE BY SUBMARKET



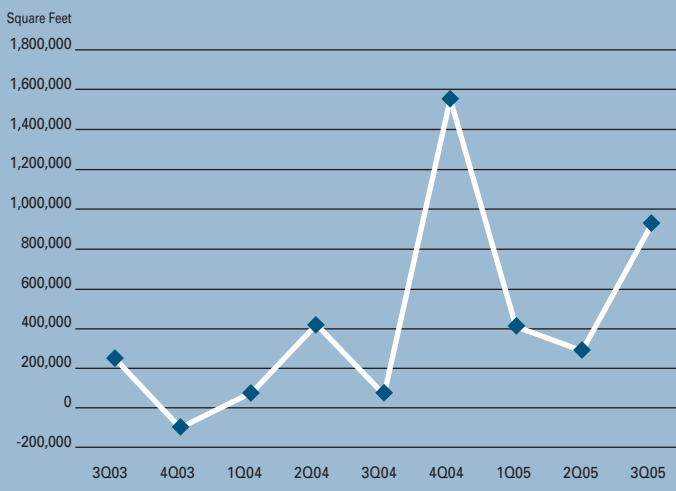
AVERAGE ASKING TRIPLE NET LEASE RATE



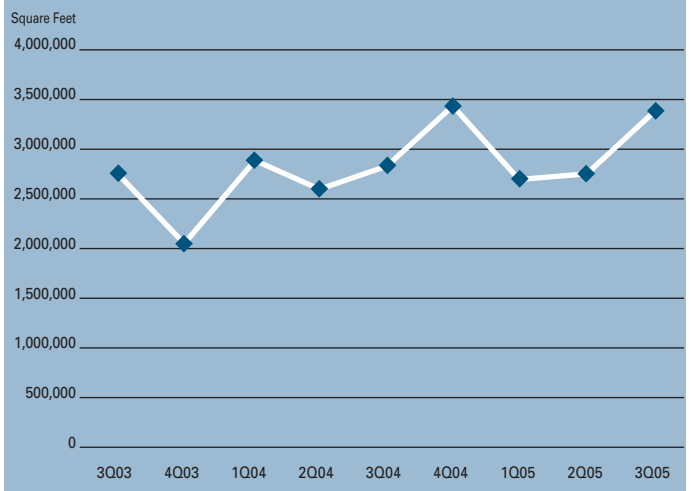
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 3Q2005	Total Availability 3Q2005	Average Asking Lease Rate	Net Absorption 3Q2005	Net Absorption 2005
Central										
Downtown	200	6,822,211	0	0	427,120	6.26%	427,120	\$0.84	2,495	(250,715)
East City	47	1,586,967	0	30,000	79,065	4.98%	149,065	\$0.83	1,665	(18,545)
Central Total	247	8,409,178	0	30,000	506,185	6.02%	576,185	\$0.83	4,160	(269,260)
Central Suburban										
Airport/Sports Arena	77	1,841,657	0	0	110,271	5.99%	110,271	\$0.85	(54,096)	(51,996)
Kearny Mesa	369	11,379,823	0	56,000	412,824	3.63%	633,222	\$0.90	27,618	(65,910)
Mission Gorge	56	1,736,343	0	0	59,263	3.41%	183,193	\$0.74	(3,500)	(710)
Rose Canyon/Morena	102	3,296,969	0	0	24,973	0.76%	31,377	\$0.00	15,059	(5,793)
Central Suburban Total	604	18,254,792	0	56,000	607,331	3.33%	958,063	\$0.84	(14,919)	(124,409)
East County										
El Cajon	216	6,749,254	0	0	490,718	7.27%	526,328	\$0.63	(259,955)	(268,479)
La Mesa/Spring Valley	51	1,567,822	0	0	29,516	1.88%	29,516	\$0.75	(2,112)	52,393
Santee/Lakeside	121	3,233,377	118,556	12,680	40,448	1.25%	40,448	\$0.00	(17,008)	(21,578)
East County Total	388	11,550,453	118,556	12,680	560,682	4.85%	596,292	\$0.66	(279,075)	(237,664)
Highway 78 Corridor										
Oceanside	223	5,792,535	308,063	965,060	530,775	9.16%	530,775	\$0.57	144,936	145,633
San Marcos	245	6,702,447	117,008	40,000	400,020	5.97%	471,227	\$0.64	(13,654)	63,036
Vista/Fallbrook	244	9,471,328	0	502,395	739,383	7.81%	1,356,868	\$0.66	30,907	108,201
Highway 78 Corridor Total	712	21,966,310	425,071	1,507,455	1,670,178	7.60%	2,358,870	\$0.64	162,189	316,870
I-15 Corridor										
Escondido	246	5,018,946	0	267,000	245,184	4.89%	360,374	\$0.76	(62,180)	(50,893)
Poway	149	6,781,271	164,619	353,100	352,722	5.20%	352,722	\$0.76	433,568	483,095
Rancho Bernardo	62	5,412,982	0	0	227,550	4.20%	572,210	\$1.01	13,632	219,317
Scripps Ranch	35	881,256	0	0	49,401	5.61%	49,401	\$0.82	20,796	36,180
I-15 Corridor Total	492	18,094,455	164,619	620,100	874,857	4.83%	1,334,707	\$0.83	405,816	687,699
North City										
Miramar	377	12,929,468	200,000	0	484,588	3.75%	576,505	\$0.74	165,242	151,333
Sorrento Mesa	90	4,688,311	0	0	442,171	9.43%	442,171	\$0.94	(80,121)	(194,706)
Sorrento Valley	64	1,508,422	0	0	82,571	5.47%	85,770	\$1.13	(28,872)	43,620
UTC	5	306,794	0	0	0	0.00%	0	\$0.00	0	0
North City Total	536	19,432,995	200,000	0	1,009,330	5.19%	1,104,446	\$0.88	56,249	247
North County										
Carlsbad	217	8,598,917	34,840	24,146	769,703	8.95%	769,703	\$0.79	11,922	(13,582)
North Beach Cities	10	494,270	0	0	6,700	1.36%	6,700	\$0.00	1,543	1,543
North County Total	227	9,093,187	34,840	24,146	776,403	8.54%	776,403	\$0.79	13,465	(12,039)
South Bay										
Chula Vista	190	8,612,047	25,000	0	296,407	3.44%	407,127	\$0.72	279,529	627,351
National City	79	3,088,239	0	0	114,169	3.70%	231,546	\$0.64	(64,142)	(53,244)
Otay Mesa	206	11,102,726	436,699	1,004,152	1,780,841	16.04%	2,285,485	\$0.53	352,383	576,221
San Ysidro	48	1,875,437	0	24,121	50,614	2.70%	54,414	\$0.67	8,267	45,381
South Bay Total	523	24,678,449	461,699	1,028,273	2,242,031	9.08%	2,978,572	\$0.56	576,037	1,195,709
San Diego County Total	3,729	131,479,819	1,404,785	3,278,654	8,246,997	6.27%	10,683,538	\$0.69	923,922	1,557,153

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

INDUSTRIAL MARKET REPORT

THIRD QUARTER 2005

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

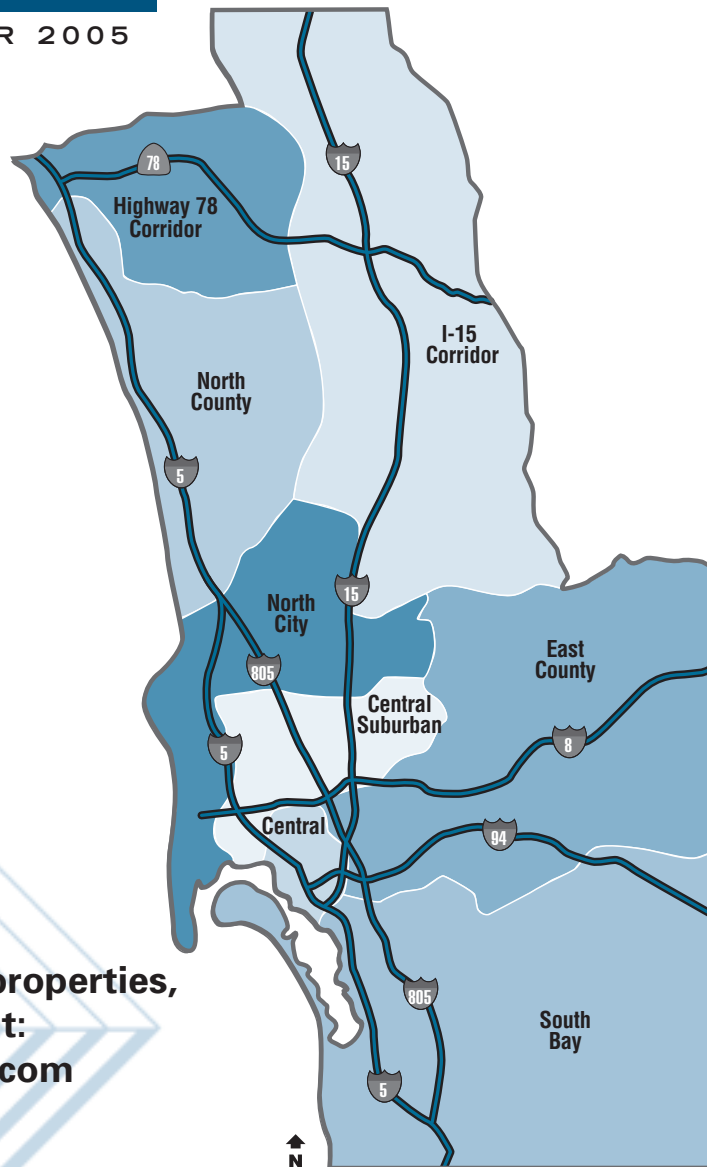
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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