

# INDUSTRIAL MARKET REPORT

THIRD  
QUARTER  
2006

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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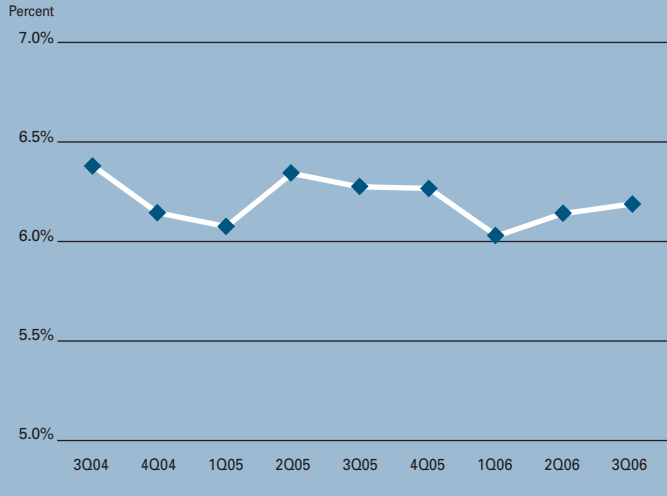
## MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2006 in San Diego County is 4.1%, which is an increase of 0.4% since the second quarter of 2006 and the same as what we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,500 new non-farm jobs in 2005, and they are forecasting 21,900 new jobs in 2006 as well as 19,500 in 2007. They are also forecasting a 6.0% increase in total personal income for 2006.
- ◆ Currently there is 1,833,902 square feet of Industrial construction underway, and total construction is up 30% when compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 3,304,295 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,278,654.
- ◆ The Industrial vacancy rate is checking in at 6.21%, which is lower than it was a year ago when it was 6.27%. 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 \$0.72, which is an increase of 4.35% when compared to last years figure. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to expand.
- ◆ Industrial absorption checked in at 426,389 square feet of positive net absorption during the third quarter of 2006, giving the San Diego Industrial Market a total of 5.4 million square feet of positive absorption for the last 11 quarters.

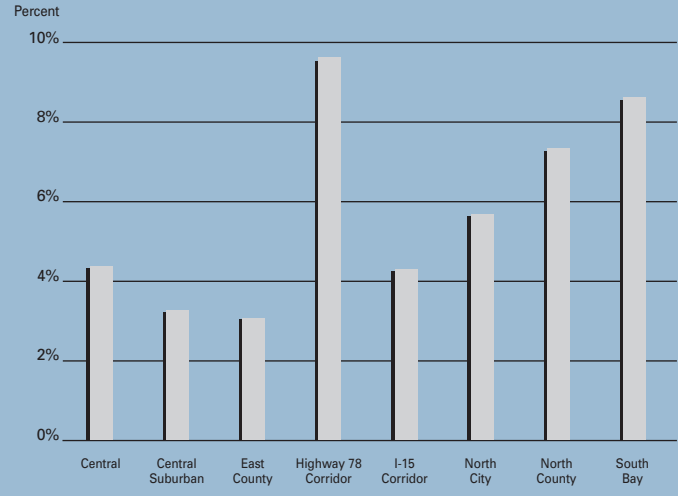
## INDUSTRIAL MARKET STATISTICS

	3Q2006	2Q2006	3Q2005	% CHANGE VS. 3Q05
Under Construction	1,833,902	1,936,636	1,404,785	30.55%
Planned Construction	3,304,295	3,141,384	3,278,654	0.78%
Vacancy	6.21%	6.16%	6.27%	-0.96%
Availability	7.29%	7.65%	8.13%	-10.33%
Pricing	\$0.72	\$0.71	\$0.69	4.35%
Net Absorption	426,389	426,305	923,922	-53.85%

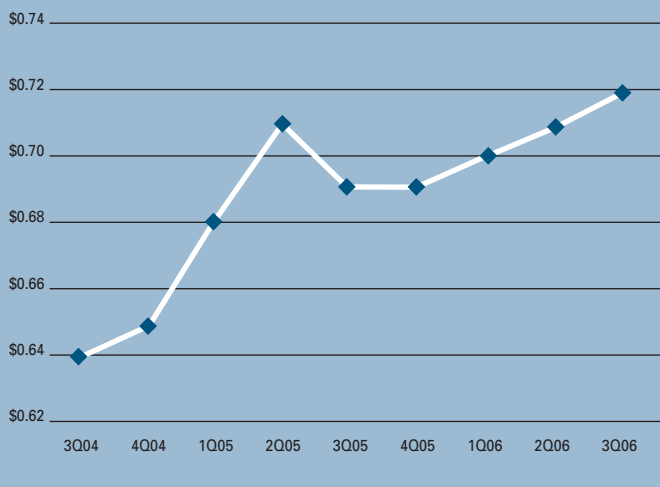
## VACANCY RATE



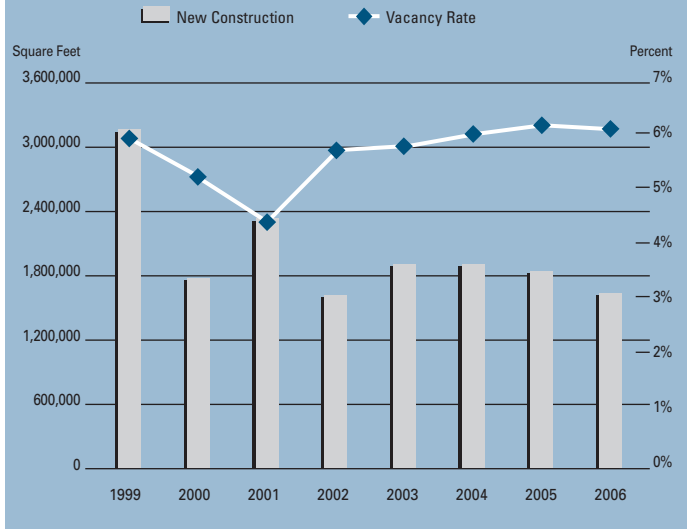
## VACANCY RATE BY SUBMARKET



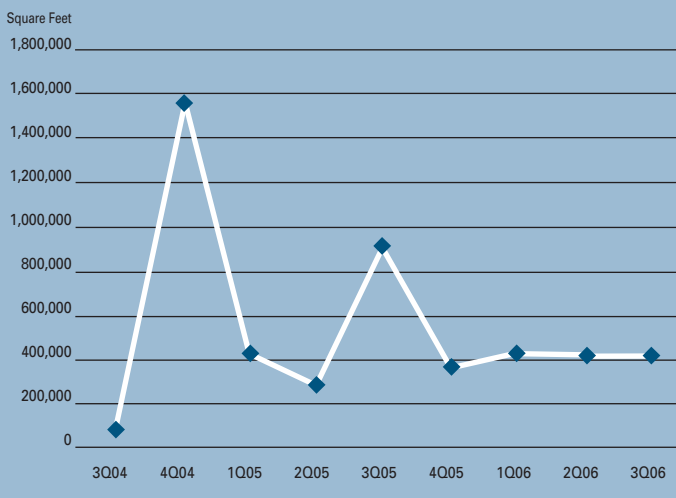
## AVERAGE ASKING TRIPLE NET LEASE RATE



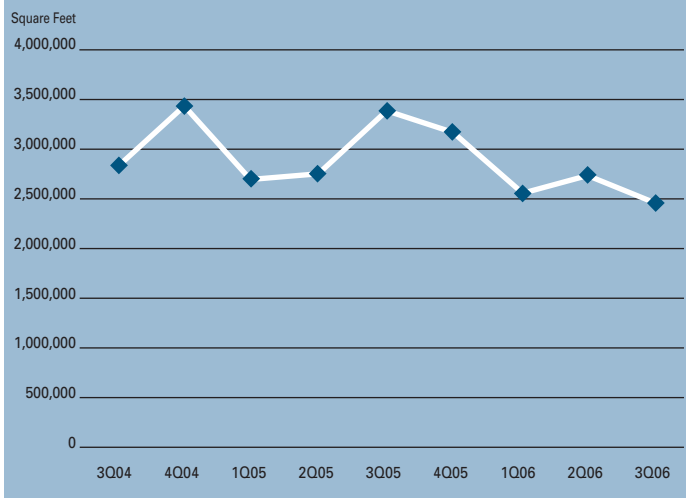
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## 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 3Q2006	Total Availability 3Q2006	Average Asking Lease Rate	Net Absorption 3Q2006	Net Absorption 2006
<b>Central</b>										
Downtown	200	6,927,466	0	0	336,344	4.86%	511,212	\$0.64	42,335	167,770
East City	47	1,576,967	0	30,000	55,065	3.49%	54,730	\$0.55	30,000	24,000
<b>Central Total</b>	<b>247</b>	<b>8,504,433</b>	<b>0</b>	<b>30,000</b>	<b>391,409</b>	<b>4.60%</b>	<b>565,942</b>	<b>\$0.62</b>	<b>72,335</b>	<b>191,770</b>
<b>Central Suburban</b>										
Airport/Sports Arena	80	2,061,260	0	0	115,033	5.58%	91,896	\$0.75	(30,187)	(27,912)
Kearny Mesa	358	11,085,296	56,000	0	359,786	3.25%	334,551	\$0.90	114,436	56,557
Mission Gorge	57	1,753,582	0	0	110,068	6.28%	86,996	\$0.87	1,323	43,243
Rose Canyon/Morena	107	3,515,871	0	0	15,413	0.44%	80,082	\$1.17	7,600	15,195
<b>Central Suburban Total</b>	<b>602</b>	<b>18,416,009</b>	<b>56,000</b>	<b>0</b>	<b>600,300</b>	<b>3.26%</b>	<b>593,525</b>	<b>\$0.87</b>	<b>93,172</b>	<b>87,083</b>
<b>East County</b>										
El Cajon	217	6,782,490	0	0	242,837	3.58%	269,433	\$0.90	77,403	59,749
La Mesa/Spring Valley	54	1,726,549	0	0	60,214	3.49%	64,577	\$0.00	17,510	(25,605)
Santee/Lakeside	131	3,454,882	221,075	312,680	56,464	1.63%	76,988	\$1.25	41,796	111,653
East County	8	221,809	0	0	14,500	6.54%	24,772	\$0.00	(1,000)	(5,000)
<b>East County Total</b>	<b>410</b>	<b>12,185,730</b>	<b>221,075</b>	<b>312,680</b>	<b>374,015</b>	<b>3.07%</b>	<b>435,770</b>	<b>\$0.94</b>	<b>135,709</b>	<b>140,797</b>
<b>Highway 78 Corridor</b>										
Oceanside	241	6,604,941	440,275	1,154,118	633,256	9.59%	659,917	\$0.65	33,352	155,053
San Marcos	256	7,065,388	0	55,000	483,852	6.85%	560,653	\$0.67	25,238	(74,365)
Vista/Fallbrook	258	9,656,632	72,435	116,060	1,109,667	11.49%	1,289,479	\$0.72	(208,493)	(113,743)
<b>Highway 78 Corridor Total</b>	<b>755</b>	<b>23,326,961</b>	<b>512,710</b>	<b>1,325,178</b>	<b>2,226,775</b>	<b>9.55%</b>	<b>2,510,049</b>	<b>\$0.70</b>	<b>(149,903)</b>	<b>(33,055)</b>
<b>I-15 Corridor</b>										
Escondido	249	5,084,202	0	250,000	187,244	3.68%	353,994	\$0.78	(10,747)	54,968
Poway	153	6,736,406	40,702	309,500	226,958	3.37%	453,376	\$0.92	64,464	(1,885)
Rancho Bernardo	59	4,970,092	0	0	264,700	5.33%	366,856	\$0.84	(102,090)	(55,672)
Scripps Ranch	34	869,950	0	0	99,290	11.41%	99,290	\$1.07	(28,994)	(58,169)
<b>I-15 Corridor Total</b>	<b>495</b>	<b>17,660,650</b>	<b>40,702</b>	<b>559,500</b>	<b>778,192</b>	<b>4.41%</b>	<b>1,273,516</b>	<b>\$0.87</b>	<b>(77,367)</b>	<b>(60,758)</b>
<b>North City</b>										
Miramar	382	13,150,722	0	0	614,196	4.67%	662,873	\$0.94	7,742	28,920
Sorrento Mesa	89	4,792,849	10,500	0	393,999	8.22%	589,239	\$0.91	85,511	(43,873)
Sorrento Valley	65	1,524,120	0	0	117,464	7.71%	56,656	\$1.10	(11,063)	(29,446)
UTC	5	281,064	0	0	0	0.00%	0	\$0.00	0	0
<b>North City Total</b>	<b>541</b>	<b>19,748,755</b>	<b>10,500</b>	<b>0</b>	<b>1,125,659</b>	<b>5.70%</b>	<b>1,308,768</b>	<b>\$0.93</b>	<b>82,190</b>	<b>(44,399)</b>
<b>North County</b>										
Carlsbad	214	8,585,067	43,493	168,000	659,232	7.68%	692,443	\$0.89	37,099	(33,253)
North Beach Cities	10	496,570	0	0	0	0.00%	0	\$0.00	0	0
<b>North County Total</b>	<b>224</b>	<b>9,081,637</b>	<b>43,493</b>	<b>168,000</b>	<b>659,232</b>	<b>7.26%</b>	<b>692,443</b>	<b>\$0.89</b>	<b>37,099</b>	<b>(33,253)</b>
<b>South Bay</b>										
Chula Vista	192	7,974,417	182,285	115,000	286,938	3.60%	291,434	\$0.91	(15,792)	(2,785)
National City	80	3,101,670	0	0	71,759	2.31%	195,383	\$0.63	652	42,913
Otay Mesa	220	11,843,798	767,137	501,816	1,682,365	14.20%	1,779,859	\$0.57	240,502	1,021,081
San Ysidro	48	1,845,426	0	292,121	106,347	5.76%	93,635	\$0.66	7,792	(8,387)
<b>South Bay Total</b>	<b>540</b>	<b>24,765,311</b>	<b>949,422</b>	<b>908,937</b>	<b>2,147,409</b>	<b>8.67%</b>	<b>2,360,311</b>	<b>\$0.60</b>	<b>233,154</b>	<b>1,052,822</b>
<b>San Diego County Total</b>	<b>3,814</b>	<b>133,689,486</b>	<b>1,833,902</b>	<b>3,304,295</b>	<b>8,302,991</b>	<b>6.21%</b>	<b>9,740,324</b>	<b>\$0.72</b>	<b>426,389</b>	<b>1,301,007</b>

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

# INDUSTRIAL MARKET REPORT

THIRD QUARTER 2006

## 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

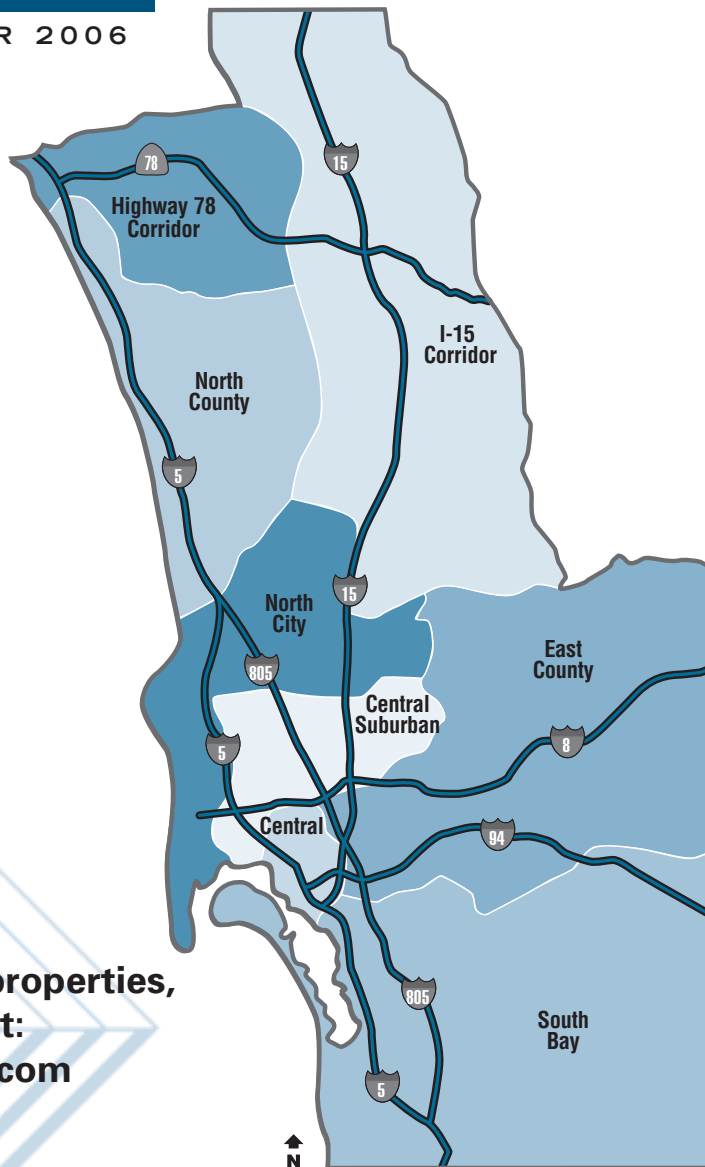
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC

### NORTH COUNTY

Carlsbad  
North Beach Cities

### SOUTH BAY

Chula Vista  
National City  
Otay Mesa  
San Ysidro



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For Further Information:

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