



Industrial Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:



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Market Highlights

- ◆ The Industrial vacancy rate was recorded at 6.28% for the third quarter of 2007, which is a little higher than it was a year ago when it was 6.21%. The lowest vacancy rate in the county can be found in the East County submarket, coming in at 3.27%. This lack of supply is creating constrained demand for Industrial space in the San Diego County area and is putting upward pressure on lease rates.
- ◆ Unemployment in the third quarter of 2007 in San Diego County is 4.8%, which is 0.6% higher than it was when compared to the second quarter of 2007, and 0.7% higher than it was a year ago.
- ◆ According to the Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.75, which is an increase of 4.17% when compared to last year's figure, and represents a new record high. The highest rates in the county can be found in the I-15 Corridor submarket, where the average asking Triple Net lease rate is \$0.99 per square foot. Rental rates are expected to increase 5% to 7% in 2007 as the economy continues to expand.
- ◆ Currently there is 841,648 square feet of Industrial construction underway, and total construction is down just over 50% when compared to a year ago. This slow down is due to increasing land and construction costs.
- ◆ Industrial absorption registered 322,821 square feet of positive net absorption during the third quarter of 2007, giving the San Diego Industrial Market a total of 407,570 square feet of positive absorption for the first three quarters of 2007. Most of the positive absorption that has occurred was in the I-15 Corridor, North City and North County submarkets.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 3,390,571 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,304,295.

INDUSTRIAL MARKET OVERVIEW

	3Q2007	2Q2007	3Q2006	% CHANGE VS. 3Q06
Under Construction	841,648	974,554	1,833,902	-54.11%
Planned Construction	3,390,571	3,749,331	3,304,295	2.61%
Vacancy	6.28%	6.61%	6.21%	1.13%
Availability	7.81%	8.34%	7.29%	7.13%
Pricing	\$0.75	\$0.75	\$0.72	4.17%
Net Absorption	322,821	201,850	426,389	N/A

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RECENT TRANSACTIONS

Sales Activity

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
4000 Ruffin Road	Kearny Mesa	474,622	\$77,000,000	First Industrial Realty Trust	Landmark Asset Management Group
Miramar Commerce Park	Miramar	459,015	\$70,000,000	Walton Street Capital, LLC	RREEF America LLC
14107 & 14115 Stowe Drive	Poway	409,105	\$44,000,000	General Atomics	Toppa Optical Products, Inc.
1725 & 1855 Dornoch Court	Otay Mesa	328,675	\$28,500,000	LBA Realty Fund Co. I, LLC	WRI 1855 Dornoch, LLC

Lease Activity

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8863 Siempre Viva Road	Otay Mesa	112,000	August-07	Hitachi Transport Systems	Weingarten Realty Investors
7685 Siempre Viva Road	Otay Mesa	61,599	September-07	E & J Holdings	Hometex Packaging Corporation
1450 Corporate Center Drive	Otay Mesa	54,741	August-07	Expeditors International of Washinton	Sudberry Properties, Inc.
5932 Sea Otter Place	Carlsbad	43,594	August-07	Closet World	Upper Deck Co., LLC

VACANCY RATE



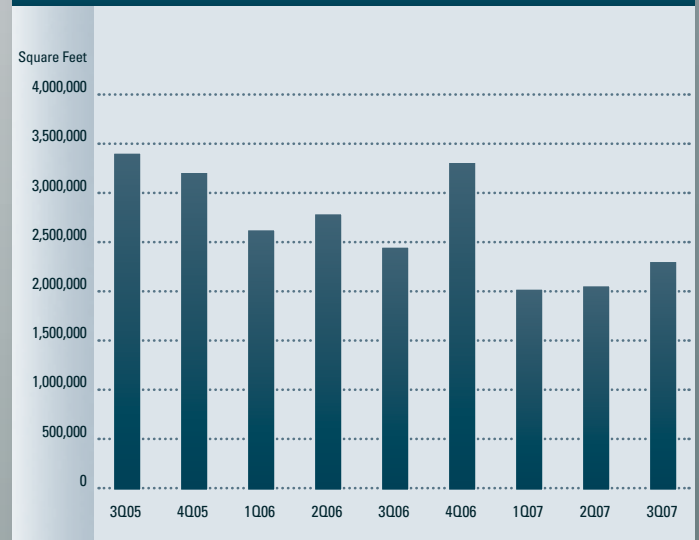
AVERAGE ASKING TRIPLE NET LEASE RATE



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 3Q2007	Total Availability 3Q2007	Average Asking Lease Rate	Net Absorption 3Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
Central												
Downtown	208	7,305,546	0	0	523,663	7.17%	537,177	\$0.67	(31,664)	(133,790)	117,491	(328,061)
East City	47	1,488,775	35,000	0	7,644	0.51%	7,644	\$0.00	0	(4,544)	75,965	(18,545)
Central Total	255	8,794,321	35,000	0	531,307	6.04%	544,821	\$0.67	(31,664)	(138,334)	193,456	(346,606)
Central Suburban												
Airport/Sports Arena	88	2,209,732	0	92,548	61,806	2.80%	39,568	\$0.76	(59,500)	(25,375)	50,690	15,154
Kearny Mesa	366	11,373,000	0	0	326,359	2.87%	270,582	\$1.19	62,211	(26,001)	177,485	(81,043)
Mission Gorge	60	1,994,270	0	0	139,911	7.02%	151,856	\$0.86	(30,135)	(49,071)	60,471	(94,758)
Rose Canyon/Morena	108	3,707,627	0	0	20,535	0.55%	20,535	\$1.25	(16,793)	944	10,629	(8,128)
Central Suburban Total	622	19,284,629	0	92,548	548,611	2.84%	482,541	\$0.90	(44,217)	(99,503)	299,275	(168,775)
East County												
El Cajon	300	9,079,037	0	0	164,370	1.81%	274,738	\$0.89	49,137	134,982	85,247	(137,831)
La Mesa/Spring Valley	51	1,385,002	0	0	31,700	2.29%	88,251	\$0.00	(4,906)	8,357	(3,748)	47,300
Santee/Lakeside	170	4,160,234	0	312,680	105,220	2.53%	242,394	\$0.79	13,251	36,006	229,349	(20,286)
East County	11	299,492	0	0	0	0.00%	12,272	\$0.00	0	9,500	0	4,000
East County Total	532	14,923,765	0	312,680	301,290	2.02%	617,655	\$0.84	57,482	188,845	310,848	(106,817)
Highway 78 Corridor												
Oceanside	265	7,554,564	133,017	935,136	939,218	12.43%	995,886	\$0.74	(62,095)	116,797	301,160	256,919
San Marcos	274	7,656,699	0	1,096,747	508,109	6.64%	640,380	\$0.69	10,010	(92,836)	50,742	25,141
Vista/Fallbrook	258	9,936,191	0	161,585	1,022,891	10.29%	967,348	\$0.72	(90,008)	(145,237)	29,642	102,942
Highway 78 Corridor Total	797	25,147,454	133,017	2,193,468	2,470,218	9.82%	2,603,614	\$0.72	(142,093)	(121,276)	381,544	385,002
I-15 Corridor												
Escondido	265	5,675,315	71,250	250,000	144,952	2.55%	216,753	\$0.86	13,532	82,035	(236)	(71,724)
Poway	148	7,288,842	0	385,500	390,288	5.35%	540,590	\$1.05	164,488	10,755	98,980	612,989
Rancho Bernardo	54	4,644,758	0	0	209,749	4.52%	379,496	\$0.90	11,582	79,847	(114,951)	237,562
Scripps Ranch	29	800,210	0	0	92,294	11.53%	50,028	\$1.03	(2,760)	(13,148)	(51,013)	44,460
I-15 Corridor Total	496	18,409,125	71,250	635,500	837,283	4.55%	1,186,867	\$0.99	186,842	159,489	(67,220)	823,287
North City												
Miramar	403	14,152,320	0	0	608,193	4.30%	894,374	\$0.88	(18,877)	(8,868)	201,966	217,104
Sorrento Mesa	95	5,038,864	0	0	258,197	5.12%	442,778	\$0.94	77,718	258,771	(77,680)	(76,876)
Sorrento Valley	65	1,540,793	0	0	18,231	1.18%	21,012	\$1.10	23,024	45,739	33,623	55,433
UTC	5	281,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
North City Total	568	21,013,041	0	0	884,621	4.21%	1,358,164	\$0.89	81,865	295,642	157,909	195,661
North County												
Carlsbad	219	9,255,171	15,344	26,054	591,868	6.39%	1,059,755	\$0.97	121,615	154,097	171,012	155,140
North Beach Cities	15	516,997	0	0	0	0.00%	0	\$0.00	0	0	0	8,243
North County Total	234	9,772,168	15,344	26,054	591,868	6.06%	1,059,755	\$0.97	121,615	154,097	171,012	163,383
South Bay												
Chula Vista	213	9,113,682	0	65,000	560,593	6.15%	635,001	\$0.82	2,702	(162,414)	71,014	696,130
National City	85	3,846,039	0	0	204,086	5.31%	341,611	\$0.63	(83,436)	(69,371)	59,907	(65,747)
Otay Mesa	235	12,961,190	587,037	41,200	2,003,617	15.46%	2,372,190	\$0.58	226,213	300,067	1,081,429	374,794
San Ysidro	50	1,847,852	0	24,121	183,377	9.92%	135,341	\$0.64	(52,488)	(99,672)	14,255	48,274
South Bay Total	583	27,768,763	587,037	130,321	2,951,673	10.63%	3,484,143	\$0.61	92,991	(31,390)	1,226,605	1,053,451
San Diego County Total	4,087	145,113,266	841,648	3,390,571	9,116,871	6.28%	11,337,560	\$0.75	322,821	407,570	2,673,429	1,998,586

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
Three Piper Ranch - Air Wing Road	Otay Mesa	333,000	October-07	Master Development Corporation
Oceanside Gateway Business Park - 26 Bldgs.	Oceanside	243,362	November-07	BKM Development Company
Britannia Industrial Park - 5 Buildings	Otay Mesa	156,068	April-08	N/A
Siempre Viva III	Otay Mesa	55,380	November-07	Siempre Viva III, LLC

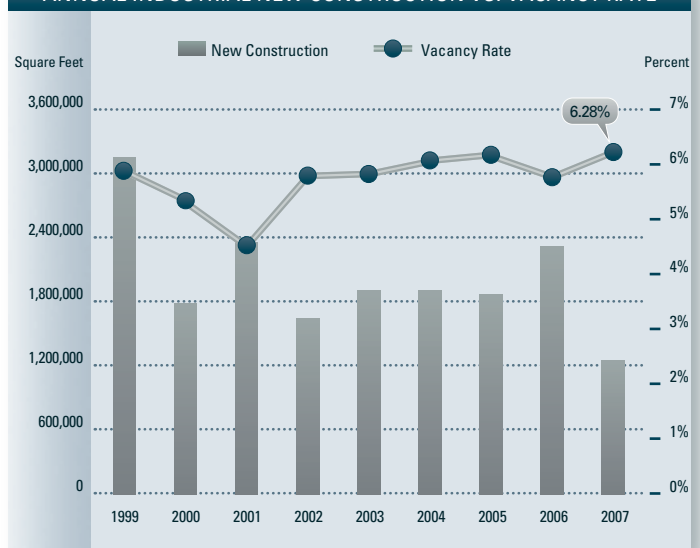
Recent Deliveries

Property Address	Submarket	Square Feet	Date Delivered	Recorded Owner
Ocean View Hills Corporate Center - 6 Buildings	Otay Mesa	393,832	May-07	Sudberry Properties, Inc.
Chula Vista Commerce Center - 6 Buildings	Chula Vista	183,194	July-07	Voit Development
Seagate Corporate Center - 6 Buildings	Oceanside	97,978	February-07	Rockefeller Group Development
Ocean Ranch Corporate Center	Oceanside	90,000	January-07	Coca-Cola Bottling Company

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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