



Industrial Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption



DOWN

Lease Rates



UP

Construction



DOWN

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Market Highlights

- ◆ The San Diego County Industrial market is undergoing changes due to reaction to the credit crunch. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between “ask” and “bid” pricing between buyers and sellers. However, the region’s strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the Industrial market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Industrial vacancy rate was recorded at 6.50% for the third quarter of 2008, which is higher than it was a year ago when it was 6.28%. The lowest vacancy rate in the county can be found in the Central Suburban submarket, coming in at 2.24%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.76, which is one cent higher when compared to last year’s figure of \$0.75. The highest rates in the county can be found in the Central Suburban and North County submarkets, where the average asking Triple Net lease rates are \$1.14 and \$0.92 per square foot respectively. Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.
- ◆ Industrial absorption registered 696,603 square feet of negative net absorption for the third quarter of 2008. Most of the negative absorption that occurred was in the South Bay and East County submarkets.
- ◆ The level of activity registered at 2.13 million square feet for the third quarter of 2008. This is up from the 2.08 million square feet of activity when compared to the same quarter last year, but still below the historical average of 2.75 million square feet per quarter. This drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics, most notably the credit crunch. These conditions could result in an increase in activity in 2009 from pent up demand.
- ◆ According to the State of California Employment Development Department, San Diego County lost 5,700 payroll jobs over the last twelve months. Between July 2008 and August 2008 San Diego County gained 500 jobs, mostly in the leisure & hospitality and educational & health services sectors.
- ◆ The unemployment rate in San Diego County was 6.4% in August 2008, down from a revised 6.5% percent in July 2008, but above the year ago estimate of 4.8%. This compares with an unadjusted unemployment rate of 7.6 percent for California and 6.1 percent for the nation during the same period.
- ◆ Currently there is 879,835 square feet of Industrial construction underway, and total construction is down just over 4.54% when compared to a year ago. This slow down is due to increasing land and construction costs and the general slow down of the US economic environment.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 2.6 million square feet of Industrial space on the slate as being planned, compared to last year’s figure of 3.4 million square feet.



Voit

Commercial Brokerage



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INDUSTRIAL MARKET OVERVIEW

	3Q2008	2Q2008	3Q2007	% CHANGE VS. 3Q07
Under Construction	879,835	998,710	841,648	4.54%
Planned Construction	2,645,485	2,782,549	3,390,571	-21.98%
Vacancy	6.50%	5.98%	6.28%	3.50%
Availability	8.70%	7.97%	7.81%	11.40%
Pricing	\$0.76	\$0.74	\$0.75	1.33%
Activity	2,132,575	2,242,464	2,079,963	2.53%
Net Absorption	-696,603	417,061	35,924	N/A

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RECENT TRANSACTIONS

Sales Activity

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
8870 Liquid Court	Miramar	181,185	\$25,550,000	Reyes Holdings	Liquid Investments, Inc.
5600 Avenida Encinas	Carlsbad	154,400	\$20,500,000	Windstar Carlsbad Offices, LLC	Palama Huna, LLC
10808 Willow Court	Rancho Bernardo	93,646	\$15,700,000	Gen-Probe Incorporated	Kelly Capital
237 Via Vera Crus	San Marcos	80,257	\$14,800,000	Bixby Land Company	Veritek Real Estate Holdings LLC

Lease Activity

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8409 Kerns Street	Otay Mesa	124,068	May-08	The Paradigm Group	ING Clarion Partners
940 W 19th Street	National City	105,600	April-08	N/A	LGI Delaware LLC
12270 World Trade Drive	Rancho Bernardo	88,000	May-08	Castle Access Inc.	RREEF
Carlsbad Corporate Center	Carlsbad	73,480	March-08	Alphatec Holdings, Inc.	Fenton Carlsbad LLC

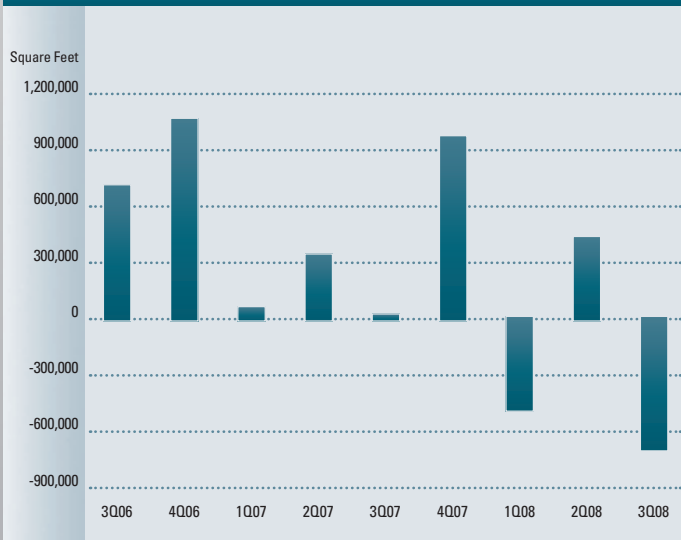
VACANCY RATE



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 3Q2008	Total Availability 3Q2008	Average Asking Lease Rate	Net Absorption 3Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
Central												
Downtown	197	6,976,798	0	0	292,573	4.19%	319,658	\$0.85	13,274	26,079	(96,590)	117,491
East City	55	1,717,766	0	0	33,794	1.97%	82,543	\$0.82	(3,772)	3,406	1,400	75,965
Central Total	252	8,694,564	0	0	326,367	3.75%	402,201	\$0.84	9,502	29,485	(95,190)	193,456
Central Suburban												
Airport/Sports Arena	89	2,251,385	92,548	0	20,456	0.91%	66,218	\$0.90	(2,200)	40,350	13,125	50,690
Kearny Mesa	359	11,120,557	0	8,000	232,154	2.09%	514,509	\$1.25	(36,552)	(43,058)	111,262	177,485
Mission Gorge	73	2,831,610	0	0	132,638	4.68%	194,237	\$0.83	(10,653)	(2,574)	(53,449)	60,471
Rose Canyon/Morena	96	2,938,777	0	0	44,168	1.50%	50,168	\$1.07	(5,329)	(21,895)	(794)	10,629
Central Suburban Total	617	19,142,329	92,548	8,000	429,416	2.24%	825,132	\$1.14	(54,734)	(27,177)	70,144	299,275
East County												
El Cajon	305	9,499,785	0	0	413,446	4.35%	471,028	\$0.87	(150,793)	(222,304)	126,562	85,247
La Mesa/Spring Valley	68	1,797,946	0	0	95,109	5.29%	122,183	\$0.54	24,618	(49,140)	(8,029)	(3,748)
Santee/Lakeside	173	4,194,444	0	312,680	127,975	3.05%	194,056	\$0.74	(204)	4,967	25,334	229,349
East County	14	506,460	0	0	0	0.00%	0	\$0.00	0	0	9,500	0
East County Total	560	15,998,635	0	312,680	636,530	3.98%	787,267	\$0.83	(126,379)	(266,477)	153,367	310,848
Highway 78 Corridor												
Oceanside	277	8,280,599	206,609	785,412	758,866	9.16%	817,057	\$0.75	42,741	111,963	367,919	301,160
San Marcos	280	7,871,264	0	136,747	538,693	6.84%	680,648	\$0.75	46,316	(56,537)	(31,109)	50,742
Vista/Fallbrook	266	10,238,155	12,915	223,125	775,317	7.57%	951,295	\$0.77	(14,227)	2,610	26,322	29,642
Highway 78 Corridor Total	823	26,390,018	219,524	1,145,284	2,072,876	7.85%	2,449,000	\$0.76	74,830	58,036	363,132	381,544
I-15 Corridor												
Escondido	270	5,795,133	0	250,000	274,506	4.74%	407,569	\$0.84	(69,133)	(79,222)	49,523	(236)
Poway	139	7,077,152	9,951	431,400	223,399	3.16%	404,196	\$0.84	(55,787)	62,015	84,331	98,980
Rancho Bernardo	53	4,579,692	0	0	162,203	3.54%	529,795	\$0.84	20,706	16,244	89,249	(114,951)
Scripps Ranch	27	743,319	0	0	55,278	7.44%	60,257	\$0.96	(10,693)	(8,560)	32,428	(51,013)
I-15 Corridor Total	489	18,195,296	9,951	681,400	715,386	3.93%	1,401,817	\$0.85	(114,907)	(9,523)	255,531	(67,220)
North City												
Miramar	393	13,627,503	0	0	593,250	4.35%	1,109,305	\$0.85	(20,427)	129,403	(137,590)	201,966
Sorrento Mesa	90	4,884,533	0	0	311,777	6.38%	385,575	\$1.05	8,931	(76,136)	281,327	(77,680)
Sorrento Valley	61	1,455,763	0	0	32,497	2.23%	82,550	\$1.25	(22,971)	(15,731)	47,204	33,623
UTC	4	211,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
North City Total	548	20,178,863	0	0	937,524	4.65%	1,577,430	\$0.89	(34,467)	37,536	190,941	157,909
North County												
Carlsbad	221	9,594,016	26,054	0	913,372	9.52%	1,331,642	\$0.92	(24,146)	(309,849)	246,670	171,012
North Beach Cities	19	613,784	0	0	0	0.00%	0	\$0.00	0	0	0	0
North County Total	240	10,207,800	26,054	0	913,372	8.95%	1,331,642	\$0.92	(24,146)	(309,849)	246,670	171,012
South Bay												
Chula Vista	232	9,971,705	0	20,000	744,764	7.47%	961,858	\$0.68	(29,545)	2,202	(77,580)	71,014
National City	84	3,749,690	0	432,000	30,112	0.80%	32,389	\$0.88	166,521	184,257	(80,195)	59,907
Otay Mesa	254	13,695,694	531,758	46,121	2,684,037	19.60%	2,855,064	\$0.55	(559,147)	(496,571)	384,565	1,081,429
San Ysidro	47	1,757,988	0	0	126,500	7.20%	255,554	\$0.71	(4,131)	2,631	(43,626)	14,255
South Bay Total	617	29,175,077	531,758	498,121	3,585,413	12.29%	4,104,865	\$0.59	(426,302)	(307,481)	183,164	1,226,605
San Diego County Total	4,146	147,982,582	879,835	2,645,485	9,616,884	6.50%	12,879,354	\$0.76	(696,603)	(795,450)	1,367,759	2,673,429

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

CONSTRUCTION UPDATE

Under Construction

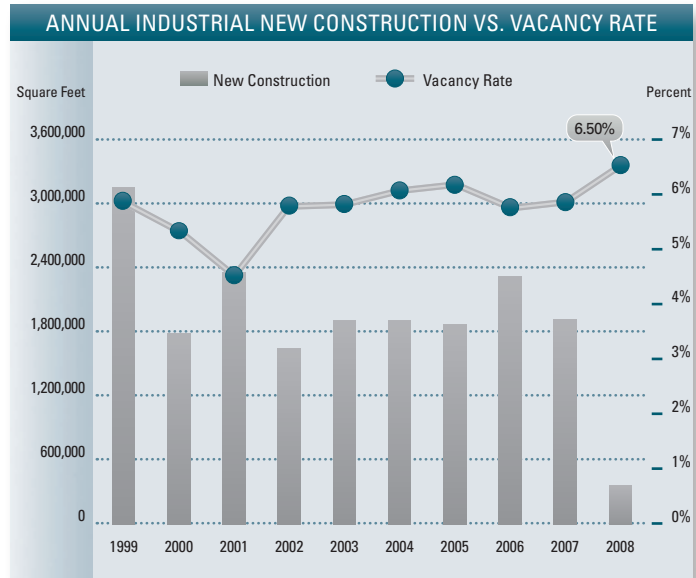
Property Address	Submarket	Square Feet	Estimate Delivery	Recorded Owner
2729 Martinez Ranch	Otay Mesa	269,687	N/A	N/A
Pacific Coast Bussiness Park - 14 Buildings	Oceanside	206,609	December-08	AMB Properties Corporation
Siempre Viva Business Park	Otay Mesa	159,631	October-08	Siempre Viva Busn Park West
Britannia Industrial Park	Otay Mesa	102,440	N/A	PCCPSG Kerney Otay LLC

Recent Deliveries

Property Address	Submarket	Square Feet	Date Delivered	Recorded Owner
Britannia Industrial Park - 5 Buildings	Otay Mesa	156,068	June-08	N/A
Venture Commerce Center - 27 Buildings	Otay Mesa	98,250	February-08	Lbvcc Otay Mesa LLC
8527 Avenida Costa Sur	Otay Mesa	55,380	January-08	Siempre Viva III, LLC
1291 Pacific Oaks Place - Harmony Grove	Escondido	36,527	July-08	Pacific Gillespie Partners LLC

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.



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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 Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.