



Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:

Vacancy



UP

Net Absorption



DOWN

Lease Rates



DOWN

Transactions



DOWN

Market Highlights

- ◆ **Market Challenges** - The Industrial market is facing challenges as the national recession continues. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the past two quarters. Another challenge the industrial market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Absorption** - The county posted 1.1 million square feet of negative absorption for the third quarter of 2009, giving the industrial market a total of 2.26 million square feet of negative absorption for the first three quarters of the year.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 1.3 million square feet. The average amount of leasing per quarter over the past nine quarters was 1.5 million square feet. Sales activity showed a decrease over last quarter, posting 1.3 million square feet of activity compared to the second quarter's 2.4 million square feet. Details of the largest transactions can be found on the back page of this report.
- ◆ **Construction** - Currently there is 121,984 square feet of Industrial construction underway, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed in this infill market.
- ◆ **Unemployment** - The unemployment rate in San Diego County was 10.4% in August 2009, unchanged from a revised 10.4% in July 2009, and above the year ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 12.1% for California and 9.6% for the nation during the same period.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 8.56%, 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 market coming in at 3.82%.
- ◆ **Employment** - According to the State of California Employment Development Department, San Diego County lost 55,600 payroll jobs over the last twelve months - 12,500 in professional and business services and 12,300 in retail trade, transportation & utilities services. However, government added 1,400 new jobs. Between July 2009 and August 2009 San Diego County only lost 1,400 jobs.
- ◆ **Availability** - Direct/sublease space being marketed was 12.25% this quarter, up from the 8.79% we saw this same quarter last year. This is an increase of 40% of new space being marketed when compared to the same quarter last year.
- ◆ **Overall** - Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$.67 cents per square foot per month this quarter. This is a decrease of 9.46% when compared to last year's asking rate of \$.74 and four cents lower than last quarter. The record high rate for asking lease rates was recorded in the third and fourth quarter of 2008 when it was \$.76.

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. - Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services - Lic.#01333376

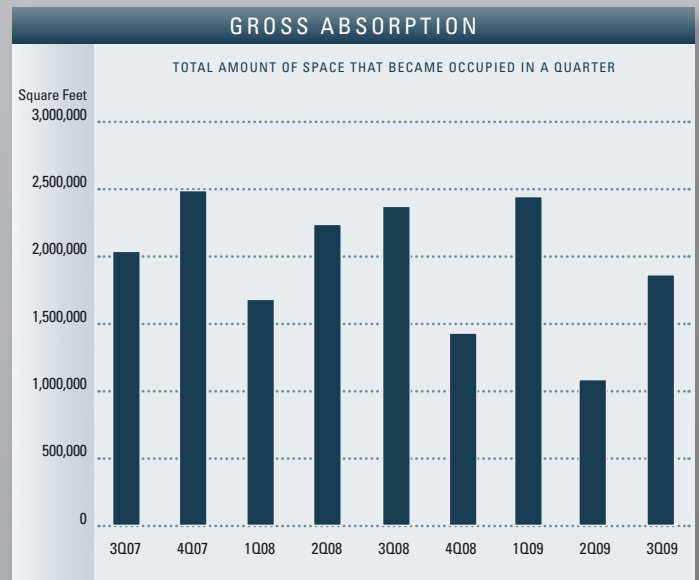
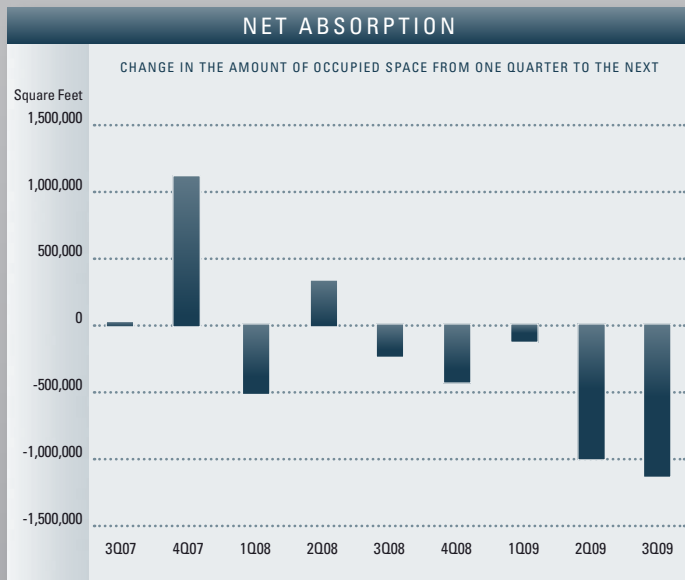
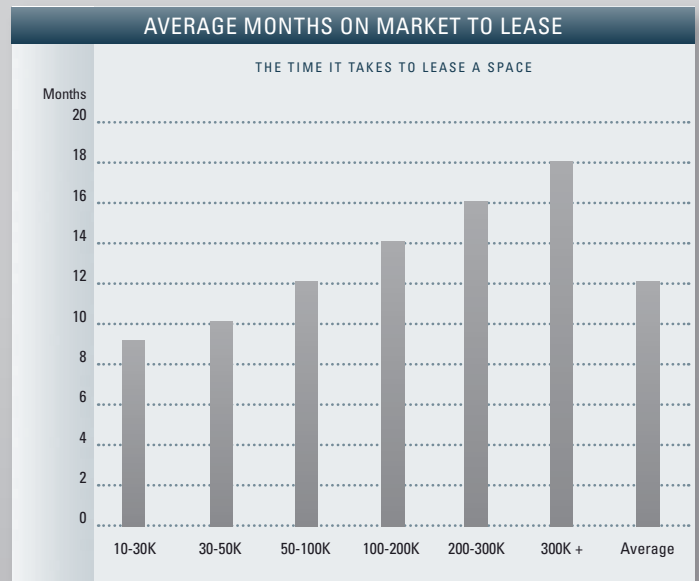
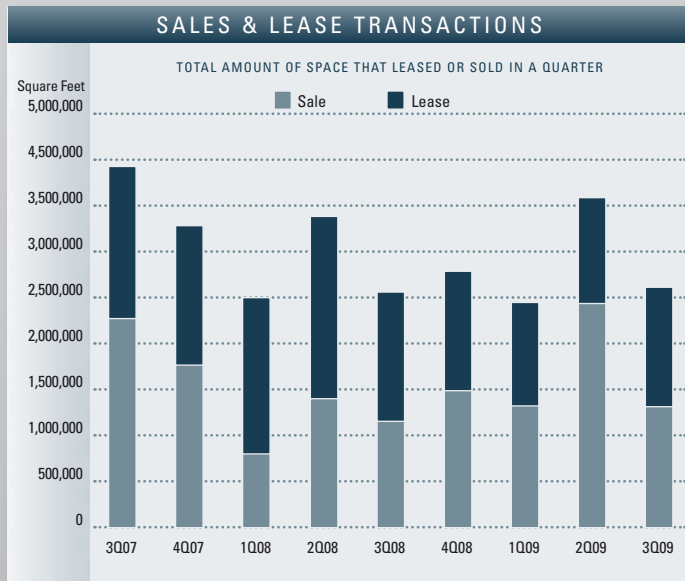
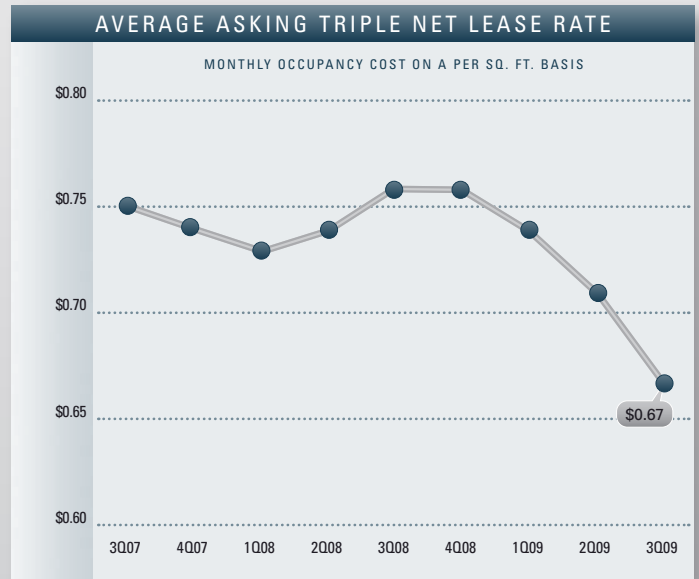
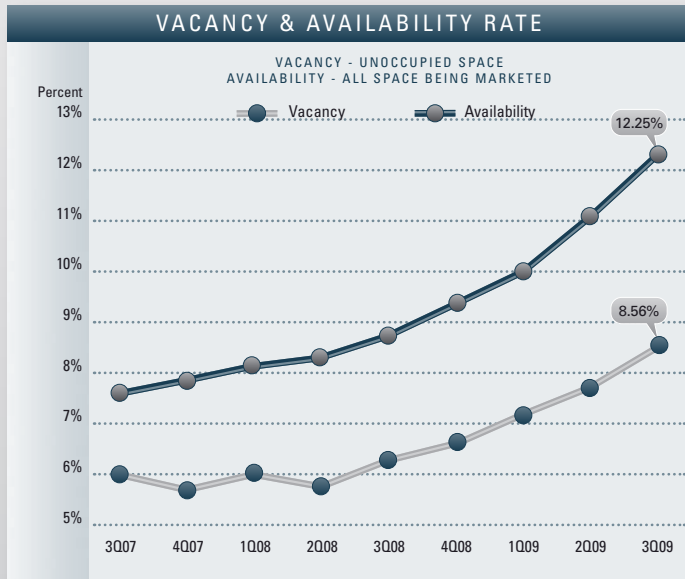
e-mail: jholdner@voitco.com

INDUSTRIAL MARKET OVERVIEW

	3Q2009	2Q2009	3Q2008	% CHANGE VS. 3Q08
Vacancy	8.56%	7.76%	6.28%	36.31%
Availability	12.25%	11.04%	8.79%	39.36%
Average Asking Lease Rate	\$0.67	\$0.71	\$0.74	-9.46%
Sale & Lease Transactions	2,617,567	3,580,039	2,595,728	0.84%
Net Absorption	-1,132,710	-989,190	-277,732	N/A



Real People. Real Solutions.



	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2009	Total Availability 3Q2009	Average Asking Lease Rate	Net Absorption 3Q2009	Net Absorption 2009	Gross Absorption 3Q2009	Gross Absorption 2009
Central												
Downtown	185	6,323,225	0	0	389,701	6.16%	469,484	\$0.72	(33,988)	(150,567)	53,708	101,653
East City	53	1,670,481	0	0	35,939	2.15%	78,122	\$0.95	13,984	10,657	21,336	46,158
Central Total	238	7,993,706	0	0	425,640	5.32%	547,606	\$0.72	(20,004)	(139,910)	75,044	147,811
Central Suburban												
Airport/Sports Arena	86	3,222,481	.	0	68,510	2.13%	140,022	\$0.84	47,914	58,522	99,924	132,282
Kearny Mesa	347	10,821,166	0	0	385,974	3.57%	409,856	\$1.03	5,340	(137,008)	79,752	205,983
Mission Gorge	76	2,796,141	0	0	196,316	7.02%	228,274	\$0.90	(64,901)	17,216	39,202	159,336
Rose Canyon/Morena	86	3,348,890	0	0	121,245	3.62%	439,639	\$0.94	3,151	(12,692)	22,375	40,928
Central Suburban Total	595	20,188,678	0	0	772,045	3.82%	1,217,791	\$0.96	(8,496)	(73,962)	241,253	538,529
East County												
El Cajon	302	9,040,215	0	0	610,821	6.76%	768,479	\$0.74	53,386	(182,379)	126,151	292,455
La Mesa/Spring Valley	68	1,880,351	0	0	141,159	7.51%	197,622	\$0.63	(12,499)	(41,069)	35,967	51,854
Santee/Lakeside	179	4,202,831	0	200,000	201,741	4.80%	237,038	\$1.06	(15,700)	(14,462)	38,072	139,026
East County	14	506,460	0	0	4,000	0.79%	4,000	\$0.00	0	7,008	0	12,008
East County Total	563	15,629,857	0	200,000	957,721	6.13%	1,207,139	\$0.73	25,187	(230,902)	200,190	495,343
Highway 78 Corridor												
Oceanside	278	8,628,553	0	641,956	1,111,982	12.89%	1,300,091	\$0.63	(256,585)	(312,420)	151,569	379,945
San Marcos	270	7,926,598	0	53,000	609,932	7.69%	811,696	\$0.67	35,331	18,904	102,386	231,407
Vista/Fallbrook	267	10,210,349	121,984	55,590	861,669	8.44%	1,262,485	\$0.68	(63,219)	(130,956)	137,921	301,848
Highway 78 Corridor Total	815	26,765,500	121,984	750,546	2,583,583	9.65%	3,374,272	\$0.65	(284,473)	(424,472)	391,876	913,200
I-15 Corridor												
Escondido	268	5,784,617	0	0	407,145	7.04%	715,808	\$0.82	84,960	(141,785)	180,602	238,967
Poway	142	7,169,127	0	355,400	478,744	6.68%	1,483,905	\$0.76	(138,162)	(203,215)	31,021	197,015
Rancho Bernardo	49	4,115,237	0	0	373,201	9.07%	505,088	\$0.82	(217,389)	(167,975)	11,243	165,190
Scripps Ranch	28	803,670	0	0	43,452	5.41%	114,829	\$0.84	4,680	17,418	4,680	36,222
I-15 Corridor Total	487	17,872,651	0	355,400	1,302,542	7.29%	2,819,630	\$0.79	(265,911)	(495,557)	227,546	637,394
North City												
Miramar	394	13,930,621	0	0	1,179,823	8.47%	1,858,383	\$0.75	(56,137)	(380,175)	264,819	639,769
Sorrento Mesa	84	4,570,284	0	0	256,066	5.60%	437,398	\$0.78	(1,563)	(7,975)	17,479	94,118
Sorrento Valley	55	1,318,969	0	0	60,680	4.60%	126,011	\$1.10	6,038	(29,368)	10,387	42,526
UTC	3	151,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
North City Total	536	19,970,938	0	0	1,496,569	7.49%	2,421,792	\$0.76	(51,662)	(417,518)	292,685	776,413
North County												
Carlsbad	218	9,495,602	0	26,632	935,823	9.86%	1,231,298	\$0.96	15,776	(150,860)	95,852	423,026
North Beach Cities	19	613,984	0	0	13,200	2.15%	13,200	\$1.25	(13,200)	(13,200)	0	0
North County Total	237	10,109,586	0	26,632	949,023	9.39%	1,244,498	\$0.96	2,576	(164,060)	95,852	423,026
South Bay												
Chula Vista	230	9,843,681	0	20,000	539,326	5.48%	848,922	\$0.52	124,884	26,331	191,430	365,132
National City	84	3,636,943	0	0	88,263	2.43%	174,474	\$0.68	(41,193)	(57,095)	14,282	23,054
Otay Mesa	270	14,831,779	0	757,100	3,448,951	23.25%	3,994,298	\$0.50	(602,293)	(256,687)	100,563	1,044,024
San Ysidro	49	1,809,490	0	46,121	165,114	9.12%	355,795	\$0.62	(11,325)	(23,538)	7,347	27,363
South Bay Total	633	30,121,893	0	823,221	4,241,654	14.08%	5,373,489	\$0.51	(529,927)	(310,989)	313,622	1,459,573
San Diego County Total	4,104	148,652,809	121,984	2,155,799	12,728,777	8.56%	18,206,217	\$0.67	(1,132,710)	(2,257,370)	1,838,068	5,391,289

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

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
3817 Ocean Ranch Blvd. - 3 Properties	Oceanside	226,220	\$17,500,000	Greene Properties, Inc.	RREEF America LLC
4010 Ocean Ranch Blvd.	Oceanside	203,779	\$12,300,000	Lloyd Wells Gift Trust	Ashworth, Inc.
7914-7924 Ronson Road - 6 Properties	Kearny Mesa	104,213	\$12,250,000	Dr. Gerald Handler	Kay Family Trust
542 N Johnson Ave. - 9 Properties	East County	41,734	\$8,850,000	El Cajon Redevelopment Agency	K Motors Company LLC
2865 Executive Place	Escondido	59,572	\$6,200,000	Liquid Stone Holdings LLC	RIME Properties, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7757 Saint Andrews Ave.	Otay Mesa	199,359	September-09	MOR Furniture For Less, Inc.	Hamann Construction
7130 Miramar Road	Miramar	114,150	July-09	ATK Space Systems - Expansion	WCV Properties
9593-9669 Distribution Ave.	Miramar	98,729	September-09	ATK Space Systems - Renewal	Miramar Business Park
8753 Kerns Street	Otay Mesa	59,920	August-09	San Diego Vista Steel Service Corp.	Toru Nakata
7415 Carroll Road	Miramar	50,475	July-09	Arizona Tile -Renewal	H.G. Fenton 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



For further information, please contact:

<p>ANAHEIM METRO OFFICE 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p>IRVINE OFFICE 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p>LAS VEGAS OFFICE 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p>NEWPORT BEACH OFFICE 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p>SAN DIEGO OFFICE 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
--	--	--	---	---

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com



Voit
Real Estate Services
Lic.#01333376



Real People. Real Solutions.

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 Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.