



Industrial Market Report

Compared to last quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



To view available properties or 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

Market Highlights

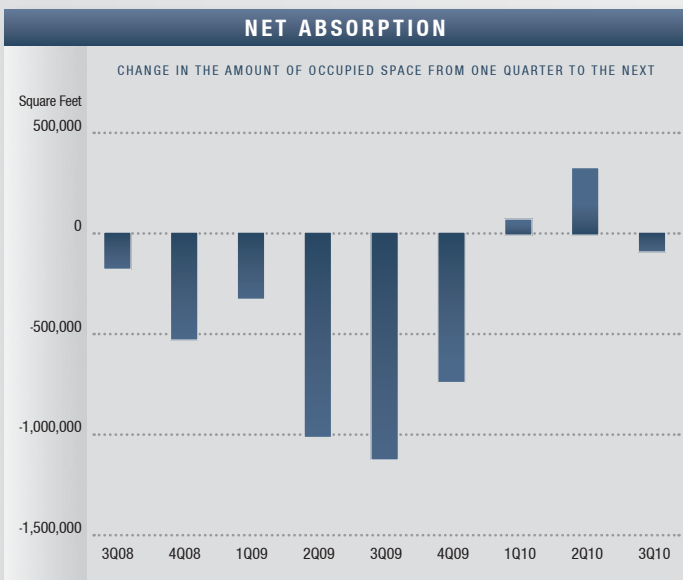
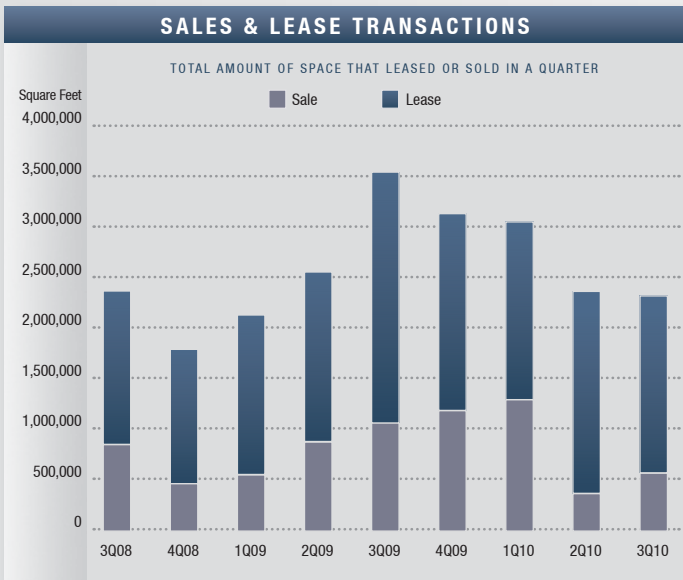
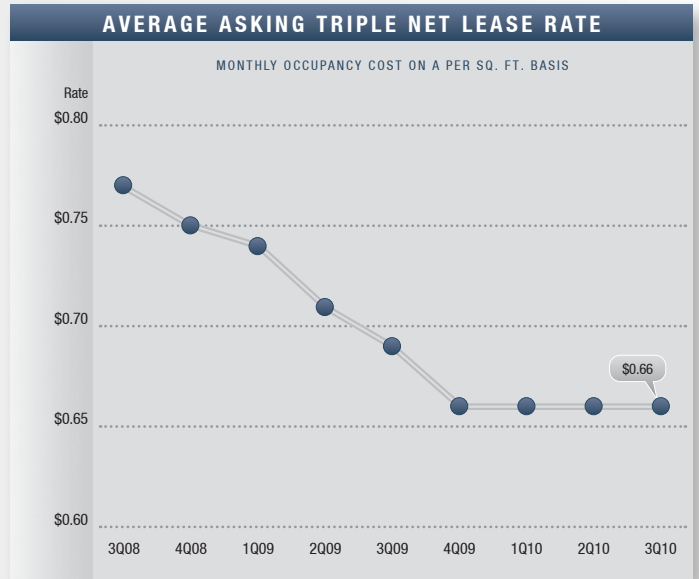
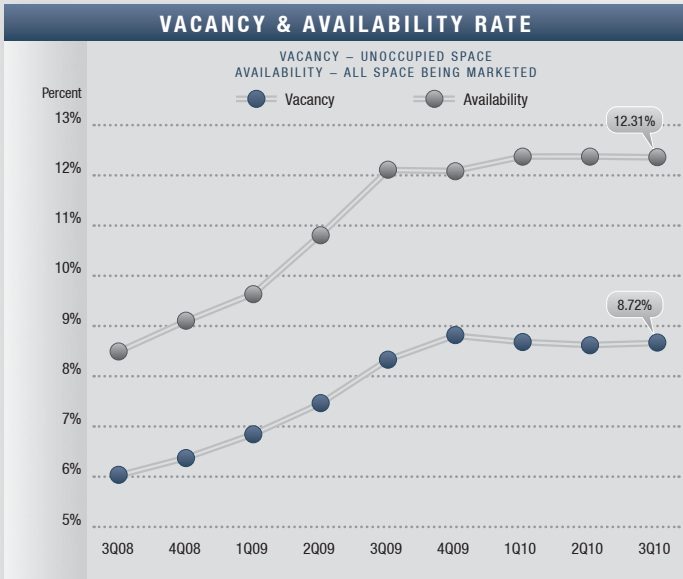
- **Bottoming Out?** — The numbers this quarter are encouraging — a sign that recovery could be on the horizon. Vacancy, availability and net absorption all showed signs of stabilization posting statistically insignificant changes compared to the previous quarter. Although demand is still weak by historical standards, the volume of lease transactions is increasing. With regard to sales transactions, the ask-bid gap seems to be narrowing, as evidenced by the drop in asking prices. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- **Construction** — Currently, there is no industrial construction underway. Scarce financing and low demand have essentially halted industrial development.
- **Vacancy** — Direct/sublease space (unoccupied) finished the quarter at 8.72% — higher than a year-ago's rate of 8.33%, and almost equal to last quarter's figure of 8.68%. The Central Suburban market posted the lowest rate in the county at 4.68%.
- **Availability** — Direct/sublease space being marketed was 12.31% this quarter, an increase of 1.82% from the 12.09% we saw this same quarter last year and almost equal to last quarter's rate of 12.33%.
- **Lease Rates** — The average asking triple net lease rate is \$.66 per square foot per month this quarter, unchanged from the last three quarter's but down as compared to last year's third quarter rate of \$.69. The record high for asking lease rates, \$.76, was recorded in the third and fourth quarters of 2008.
- **Absorption** — The county posted 93,554 square feet of negative absorption for the third quarter of 2010, giving the industrial market a total of 308,871 square feet of positive absorption for the first three quarters of 2010.
- **Transaction Activity** — Leasing activity checked in at 1.7 million square feet, mainly a result of the recent trend

of short-term deals coupled with lease renegotiations. Sales activity showed a decrease year-over-year, posting 575,000 square feet of activity as compared to 1,050,000 square feet in the third quarter of 2009. Details of the largest transactions can be found on the back page of this report.

- **Employment** — The unemployment rate in San Diego County was 10.6% in August 2010, down from a revised 10.9% in July 2010 and above the year-ago estimate of 10.3%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.5% for the nation during the same period. According to the State of California Employment Development Department, San Diego County lost 9,700 payroll jobs over the last twelve months — 2,900 in manufacturing and 2,700 in leisure & hospitality. However, professional and business services added 3,600 new jobs. Between July 2010 and August 2010 San Diego County employment declined by 2,200 jobs overall.
- **Overall** — We are beginning to see a decrease in the amount of vacant space being added per quarter. Positive absorption is the big story, and with few new deliveries in the pipeline to drive vacancy up, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to increase to motivate tenants action. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins going into 2011. Once employment turns positive and consumer confidence stabilizes, the industrial market will regain equilibrium.

INDUSTRIAL MARKET OVERVIEW

	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate	8.72%	8.68%	8.33%	4.68%
Availability Rate	12.31%	12.33%	12.09%	1.82%
Average Asking Lease Rate	\$0.66	\$0.66	\$0.69	(4.35%)
Sale & Lease Transactions	2,304,578	2,355,082	3,505,383	(34.26%)
Gross Absorption	2,098,879	2,461,007	2,220,470	(5.48%)
Net Absorption	(93,554)	320,871	(1,194,093)	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
Central													
Central City	202	3,160,756	0	0	205,768	6.51%	213,276	6.75%	\$0.71	29,803	(17,342)	73,336	112,666
East City	62	1,392,973	0	0	6,000	0.43%	68,510	4.92%	\$0.55	0	11,772	0	11,772
Southeast City	331	4,625,332	0	0	275,993	5.97%	371,530	8.03%	\$0.75	2,107	(61,977)	21,000	164,294
Central Total	595	9,179,061	0	0	487,761	5.31%	653,316	7.12%	\$0.73	31,910	(67,547)	94,336	288,732
Central Suburban													
Airport/Sports Arena	172	4,021,453	0	0	79,345	1.97%	285,523	7.10%	\$1.13	10,756	4,813	28,160	98,415
Kearny Mesa	470	11,724,578	0	0	502,104	4.28%	590,443	5.04%	\$1.06	(77,400)	(109,303)	97,154	247,895
Mission Gorge	132	2,250,722	0	0	184,285	8.19%	277,046	12.31%	\$0.87	(15,312)	14,913	15,795	116,455
Rose Canyon/Morena	143	3,437,676	0	0	238,460	6.94%	332,281	9.67%	\$0.73	(15,943)	(86,050)	10,191	39,313
Central Suburban Total	917	21,434,429	0	0	1,004,194	4.68%	1,485,293	6.93%	\$0.87	(97,899)	(175,627)	151,300	502,078
East County													
El Cajon	497	10,744,628	0	0	633,089	5.89%	866,368	8.06%	\$0.62	(60,965)	3,888	100,321	328,834
La Mesa/Spring Valley	331	3,464,309	0	0	196,550	5.67%	341,758	9.87%	\$0.69	5,590	55,838	13,502	112,567
Santee/Lakeside	296	4,025,375	0	200,000	197,795	4.91%	275,171	6.84%	\$1.34	(14,777)	12,222	33,358	120,067
East County Total	1,124	18,234,312	0	200,000	1,027,434	5.63%	1,483,297	8.13%	\$0.69	(70,152)	71,948	147,181	561,468
Highway 78 Corridor													
Oceanside	417	8,556,288	0	641,956	1,375,489	16.08%	1,666,303	19.47%	\$0.60	(83,486)	(70,131)	85,493	281,726
San Marcos	559	9,320,438	0	53,000	776,369	8.33%	1,050,847	11.27%	\$0.67	23,060	59,318	131,126	386,732
Vista/Fallbrook	518	12,715,207	0	231,590	1,133,447	8.91%	1,897,314	14.92%	\$0.69	(73,727)	50,207	133,342	605,961
Highway 78 Corridor Total	1,494	30,591,933	0	926,546	3,285,305	10.74%	4,614,464	15.08%	\$0.65	(134,153)	39,394	349,961	1,274,419
I-15 Corridor													
Escondido	724	8,381,085	0	86,500	534,446	6.38%	689,700	8.23%	\$0.78	23,825	101,598	173,855	406,508
Poway	179	7,380,383	0	355,400	424,867	5.76%	1,049,714	14.22%	\$0.77	54,206	89,797	66,765	251,043
Rancho Bernardo	56	4,174,645	0	0	458,230	10.98%	583,910	13.99%	\$0.79	29,708	23,026	53,857	144,251
Scripps Ranch	31	813,323	0	0	30,757	3.78%	180,408	22.18%	\$0.82	19,038	22,999	19,038	38,485
I-15 Corridor Total	990	20,749,436	0	441,900	1,448,300	6.98%	2,503,732	12.07%	\$0.78	126,777	237,420	313,515	840,287
North City													
Miramar	630	14,864,811	0	0	1,377,853	9.27%	2,196,690	14.78%	\$0.72	(49,607)	(63,595)	431,581	1,080,544
Sorrento Mesa	87	4,526,746	0	0	387,723	8.57%	545,046	12.04%	\$0.95	(5,882)	(41,540)	54,945	134,648
Sorrento Valley	64	1,459,078	0	0	59,891	4.10%	60,451	4.14%	\$1.10	4,212	(37,639)	12,488	23,022
Torrey Pines/UTC	5	140,879	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North City Total	786	20,991,514	0	0	1,825,467	8.70%	2,802,187	13.35%	\$0.78	(51,277)	(142,774)	499,014	1,238,214
North County													
Carlsbad	267	9,431,834	0	26,632	751,447	7.97%	1,122,692	11.90%	\$0.93	54,369	181,318	130,793	555,734
North Beach Cities	67	939,693	0	0	23,427	2.49%	18,757	2.00%	\$0.00	(18,757)	(8,677)	0	10,080
North County Total	334	10,371,527	0	26,632	774,874	7.47%	1,141,449	11.01%	\$0.93	35,612	172,641	130,793	565,814
Outlying Areas													
Outlying SD County North	119	1,236,125	0	0	25,235	2.04%	33,749	2.73%	\$0.87	(288)	12,635	9,910	30,083
Outlying SD County South	77	755,006	0	0	73,627	9.75%	93,413	12.37%	\$0.00	2,083	42,047	15,100	60,200
Outlying Areas Total	196	1,991,131	0	0	98,862	4.97%	127,162	6.39%	\$0.87	1,795	54,682	25,010	90,283
South Bay													
Chula Vista	373	10,652,347	0	20,000	703,182	6.60%	771,100	7.24%	\$0.58	14,215	(4,983)	142,562	602,512
National City	252	4,285,580	0	0	197,603	4.61%	349,645	8.16%	\$0.69	12,998	(16,653)	38,155	90,092
Otay Mesa	337	15,251,499	0	757,100	3,361,293	22.04%	4,150,603	27.21%	\$0.48	34,780	220,409	203,002	947,916
San Ysidro/Imperial Beach	73	1,822,005	0	24,121	222,822	12.23%	301,864	16.57%	\$0.49	1,840	(80,039)	4,050	85,639
South Bay Total	1,035	32,011,431	0	801,221	4,484,900	14.01%	5,573,212	17.41%	\$0.50	63,833	118,734	387,769	1,726,159
San Diego County Total	7,471	165,554,774	0	2,396,299	14,437,097	8.72%	20,384,112	12.31%	\$0.66	(93,554)	308,871	2,098,879	7,087,454

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
2710 Progress Street	Vista	135,020	\$166.28	J & D Laboratories	Hamann Companies
2091 Rutherford Road	Carlsbad	110,881	\$96.50	Cruzan I Monroe	Jeta Realty Group
12375 World Trade Drive	Rancho Bernardo	45,950	\$114.69	Campus Team Wear	Havoc Publishing, Inc.
9710-9712 Distribution Avenue	Mira Mesa/Miramar	31,180	\$99.42	Mail Dispatch	Gimextech Company, Inc.
999 Linda Vista Drive	San Marcos	34,346	\$87.35	Ply-Tech Corporation	Hicks Family 1995 Trust
3443 India Street	Central San Diego	21,640	\$121.49	Frederick Belinsky	Doris Rose

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5260 Anna Avenue	PB/Rose Canyon/Modrena	72,220	Jul-10	HD Supply	Westcore Properties
2025 Gillespie Way - Renewal	El Cajon	71,865	Jul-10	Bekins Moving Solutions	NSD Associates, LLC
13200 Danielson Street	Poway	53,845	Aug-10	Alexander's Mobility Services	Hamann Companies
6550 Mira Mesa Boulevard	Sorrento Mesa	44,219	Jul-10	Green Flash Brewing Company	San Diego 6550 Investments, LLC
9455 Waples Street	Sorrento Mesa	44,136	Sep-10	Feeding America	RREEF America, LLC

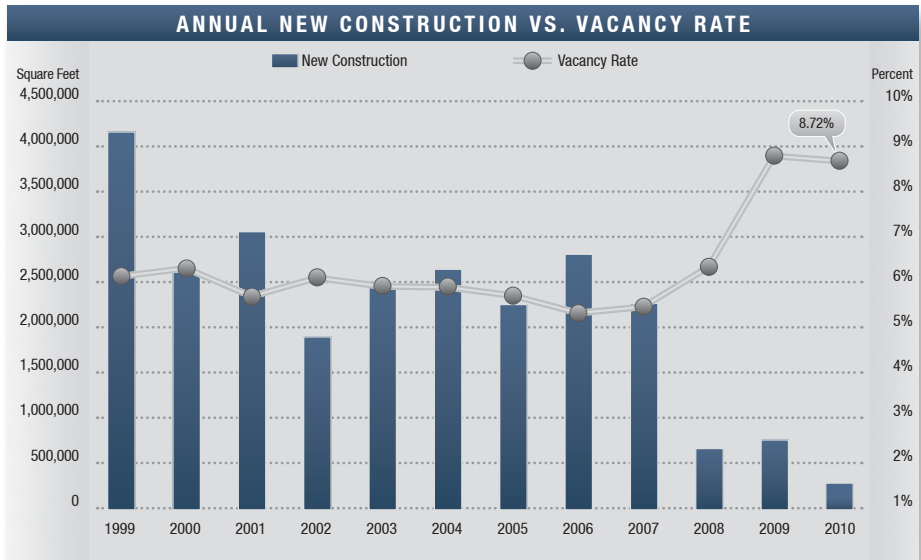
Product Type

MFG. / DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

To view available properties, please visit:

www.voitco.com



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
714.935.2311

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Los Angeles, CA
818.593.6330

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

Voit

REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



This survey consists of properties 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.