

# INDUSTRIAL MARKET REPORT

FOURTH  
QUARTER  
2003

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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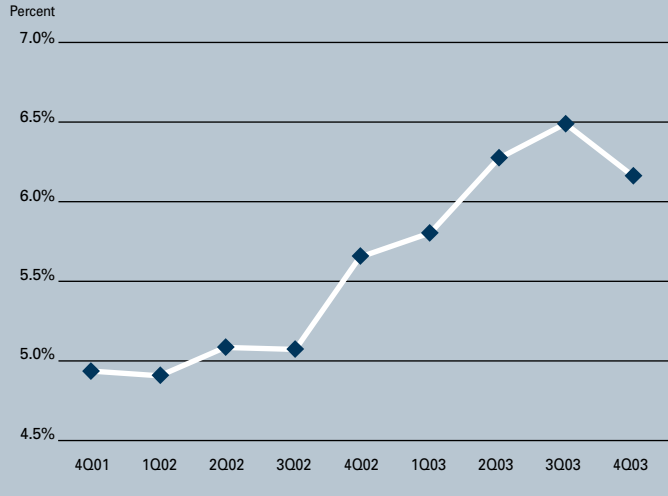
## MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2003 in San Diego County is 4.0%, which is a decrease of 0.3% since the third quarter of 2003 and down from the 4.1% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 523,612 square feet of Industrial construction underway, and total construction is down by almost 50% compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 1,624,607 square feet of Industrial space on the slate as being planned, compared to last year's figure of 2,335,810.
- ◆ The Industrial vacancy rate is checking in at 6.22%, which is down from the 6.51% rate during the third quarter of 2003. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area.
- ◆ Rental rates are expected to remain flat and we should see rent concessions lessening during 2004 as the economy improves.
- ◆ Industrial absorption checked in at 600,724 square feet of positive net absorption during fourth quarter of 2003, thanks to a couple of big deals in East County. This gives the San Diego Industrial market a total of 2,006,663 square feet of positive absorption for 2003.

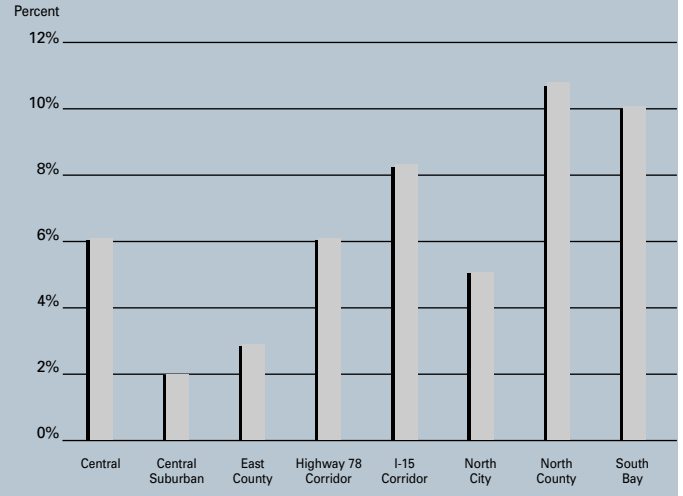
## INDUSTRIAL MARKET STATISTICS

	2003	2002	2001	% CHANGE VS. 2002
Under Construction	523,612	1,025,442	1,289,745	-48.94%
Planned Construction	1,624,607	2,335,810	2,234,988	-30.45%
Vacancy	6.22%	5.67%	4.56%	9.70%
Pricing	\$0.65	\$0.67	\$0.63	-2.99%
Net Absorption	2,006,663	714,020	3,076,625	281.04%

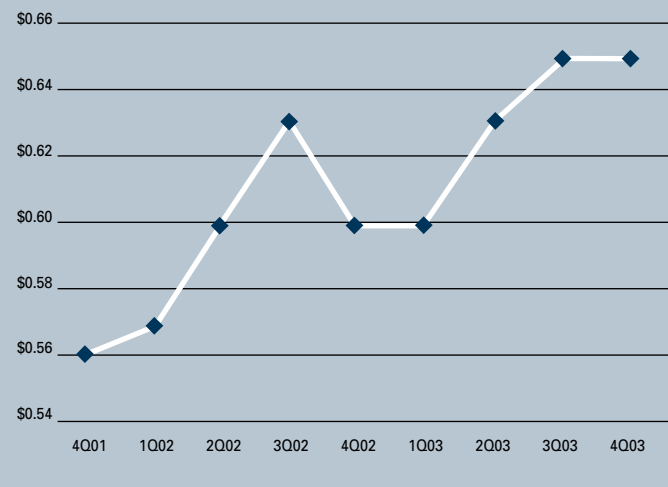
## VACANCY RATE



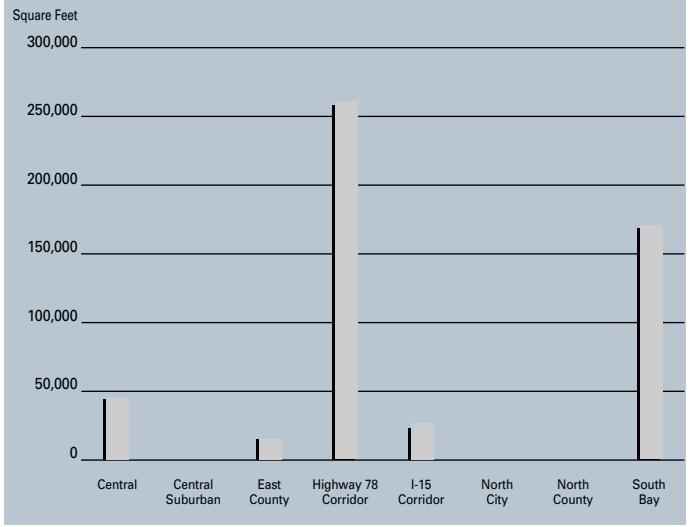
## VACANCY RATE BY SUBMARKET



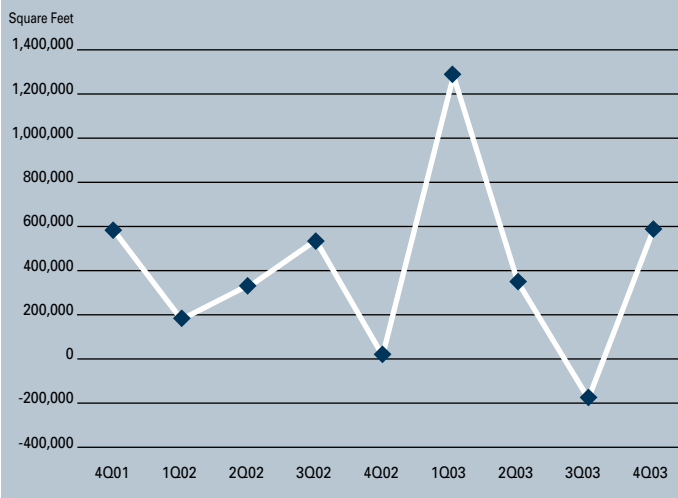
## AVERAGE ASKING TRIPLE NET LEASE RATE



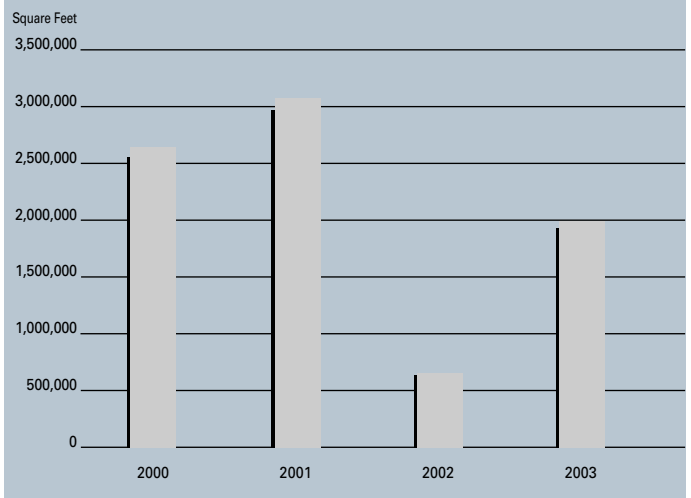
## CONSTRUCTION ACTIVITY



## QUARTERLY NET ABSORPTION



## ANNUAL NET ABSORPTION



## SAN DIEGO COUNTY

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 4Q2003	Total Availability 4Q2003	Average Asking Lease Rate	Net Absorption 4Q2003	Net Absorption 2003
<b>Central</b>										
Downtown	80	3,378,795	41,888	0	174,666	5.17%	192,666	\$0.75	350	40,628
East City	84	3,192,358	0	0	233,055	7.30%	240,655	\$0.55	68,901	30,679
<b>Central Total</b>	<b>164</b>	<b>6,571,153</b>	<b>41,888</b>	<b>0</b>	<b>407,721</b>	<b>6.20%</b>	<b>433,321</b>	<b>\$0.64</b>	<b>69,251</b>	<b>71,307</b>
<b>Central Suburban</b>										
Airport/Sports Arena	100	3,384,725	0	0	96,810	2.86%	167,910	\$0.65	(1,510)	28,695
Kearny Mesa	305	9,689,504	0	0	202,763	2.09%	319,774	\$0.88	(1,849)	11,803
Mission Gorge	41	1,109,402	0	0	15,700	1.42%	21,962	\$0.90	6,266	84,859
Rose Canyon/Morena	79	3,081,147	0	0	21,800	0.71%	28,350	\$0.00	3,000	47,214
<b>Central Suburban Total</b>	<b>525</b>	<b>17,264,778</b>	<b>0</b>	<b>0</b>	<b>337,073</b>	<b>1.95%</b>	<b>537,996</b>	<b>\$0.78</b>	<b>5,907</b>	<b>172,571</b>
<b>East County</b>										
El Cajon	251	7,718,175	17,580	27,438	164,727	2.13%	532,771	\$0.56	(18,450)	(36,856)
La Mesa/Spring Valley	50	1,712,844	0	0	134,745	7.87%	136,895	\$0.53	(15,000)	136,714
Santee/Lakeside	154	3,689,776	0	12,680	90,196	2.44%	133,668	\$0.68	43,620	96,230
Unincorporated East County	5	470,342	0	0	0	0.00%	0	\$0.00	440,342	440,342
<b>East County Total</b>	<b>460</b>	<b>13,591,137</b>	<b>17,580</b>	<b>40,118</b>	<b>389,668</b>	<b>2.87%</b>	<b>803,334</b>	<b>\$0.55</b>	<b>450,512</b>	<b>636,430</b>
<b>Highway 78 Corridor</b>										
Oceanside	176	4,636,162	0	409,619	257,902	5.56%	313,268	\$0.49	35,491	(28,951)
San Marcos	254	7,611,222	79,246	20,000	455,704	5.99%	497,659	\$0.57	(80,521)	366,670
Vista/Fallbrook	260	10,746,950	187,824	150,968	693,207	6.45%	1,062,929	\$0.61	(3,652)	376,643
<b>Highway 78 Corridor Total</b>	<b>690</b>	<b>22,994,334</b>	<b>267,070</b>	<b>580,587</b>	<b>1,406,813</b>	<b>6.12%</b>	<b>1,873,856</b>	<b>\$0.59</b>	<b>(48,682)</b>	<b>714,362</b>
<b>I-15 Corridor</b>										
Carmel Mountain Ranch	10	615,455	0	0	54,605	8.87%	54,605	\$0.35	(235)	(235)
Escondido	222	4,713,185	0	0	207,853	4.41%	268,512	\$0.78	31,403	247,828
Poway	150	5,963,971	23,808	45,999	438,804	7.36%	635,945	\$0.66	92,492	6,934
Rancho Bernardo	48	4,084,951	0	0	588,969	14.42%	1,053,521	\$0.78	13,855	(476,233)
Scripps Ranch	20	461,687	0	22,000	54,425	11.79%	54,425	\$0.54	17,866	7,941
<b>I-15 Corridor Total</b>	<b>450</b>	<b>15,839,249</b>	<b>23,808</b>	<b>67,999</b>	<b>1,344,656</b>	<b>8.49%</b>	<b>2,067,008</b>	<b>\$0.69</b>	<b>155,381</b>	<b>(213,765)</b>
<b>North City</b>										
Miramar	336	12,001,266	0	61,760	598,903	4.99%	1,037,625	\$0.71	48,212	237,704
Sorrento Mesa	85	3,136,457	0	0	163,015	5.20%	315,997	\$1.04	93,997	84,108
Sorrento Valley	38	956,672	0	0	48,290	5.05%	49,370	\$1.00	(11,124)	54,215
<b>North City Total</b>	<b>459</b>	<b>16,094,395</b>	<b>0</b>	<b>61,760</b>	<b>810,208</b>	<b>5.03%</b>	<b>1,402,992</b>	<b>\$0.84</b>	<b>131,085</b>	<b>376,027</b>
<b>North County</b>										
Carlsbad	176	7,336,598	0	209,308	804,528	10.97%	907,005	\$0.71	(75,442)	(93,735)
North Beach Cities	4	119,000	0	0	6,000	5.04%	8,400	\$0.00	0	12,026
<b>North County Total</b>	<b>180</b>	<b>7,455,598</b>	<b>0</b>	<b>209,308</b>	<b>810,528</b>	<b>10.87%</b>	<b>915,405</b>	<b>\$0.71</b>	<b>(75,442)</b>	<b>(81,709)</b>
<b>South Bay</b>										
Chula Vista	143	5,082,177	173,266	0	423,522	8.33%	538,302	\$0.55	(33,751)	(130,794)
National City	61	2,574,886	0	74,000	122,365	4.75%	164,759	\$0.59	(23,401)	(68,785)
Otay Mesa	167	9,315,044	0	590,835	1,227,602	13.18%	1,649,155	\$0.54	(34,983)	522,921
San Ysidro	46	1,296,552	0	0	69,763	5.38%	69,763	\$0.65	4,847	8,098
<b>South Bay Total</b>	<b>417</b>	<b>18,268,659</b>	<b>173,266</b>	<b>664,835</b>	<b>1,843,252</b>	<b>10.09%</b>	<b>2,421,979</b>	<b>\$0.55</b>	<b>(87,288)</b>	<b>331,440</b>
<b>San Diego County Total</b>	<b>3,345</b>	<b>118,079,303</b>	<b>523,612</b>	<b>1,624,607</b>	<b>7,349,919</b>	<b>6.22%</b>	<b>10,455,891</b>	<b>\$0.65</b>	<b>600,724</b>	<b>2,006,663</b>

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

# INDUSTRIAL MARKET REPORT

FOURTH QUARTER 2003

## 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  
Unincorporated East County

### HIGHWAY 78 CORRIDOR

Oceanside  
San Marcos  
Vista/Fallbrook

### I-15 CORRIDOR

Carmel Mountain Ranch  
Escondido  
Poway  
Rancho Bernardo  
Scripps Ranch

### NORTH CITY

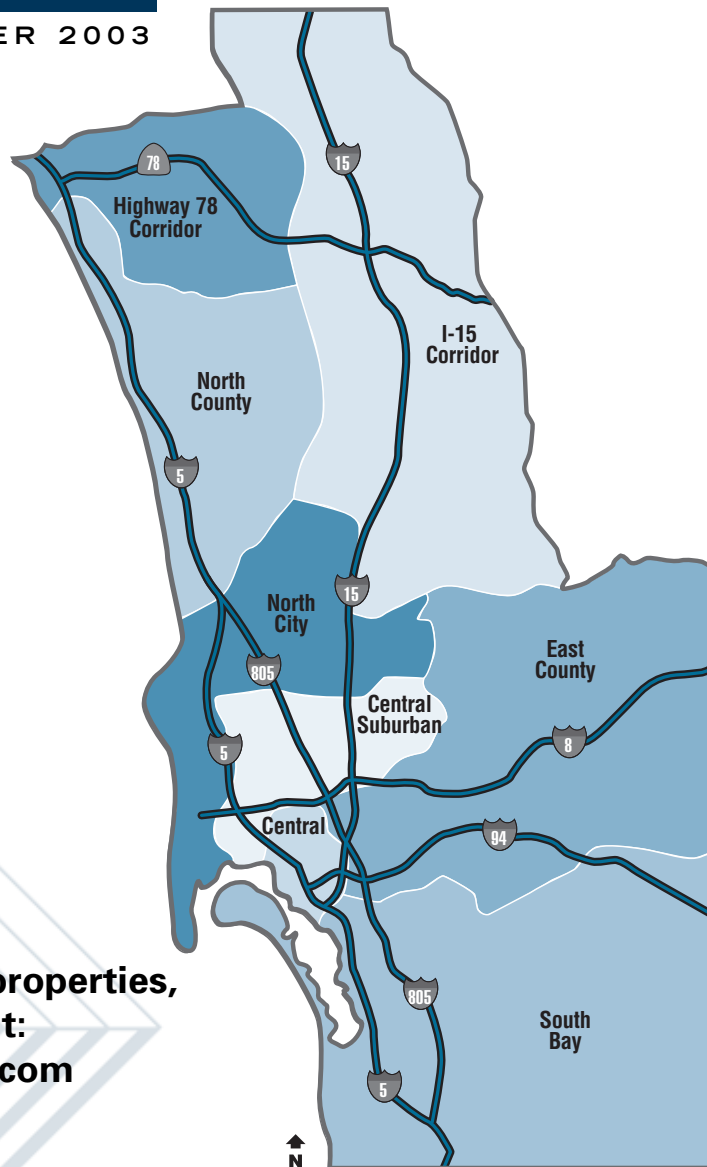
Miramar  
Sorrento Mesa  
Sorrento Valley

### 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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