

# INDUSTRIAL MARKET REPORT

FOURTH  
QUARTER  
2004

Compared to  
last quarter:

## VACANCY

DOWN



## ABSORPTION



UP

## LEASE RATES



UP

## CONSTRUCTION



UP

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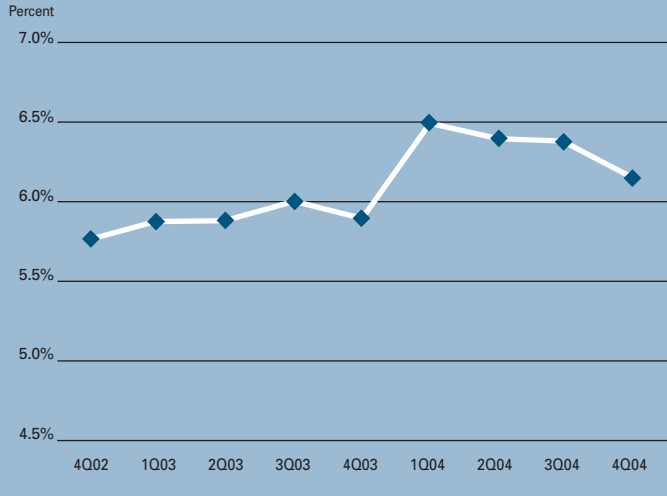
## MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2004 in San Diego County is 3.4%, which is a decrease of 0.3% since the third quarter of 2004 and down from the 4.0% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 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 1,531,904 square feet of Industrial construction underway, and total construction is up by almost 4% compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 4,780,640 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 6.15%, which is down from last quarter when it was 6.40%. 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 increase 3 to 5% in 2005 as the economy improves.
- ◆ Industrial absorption checked in at 1,553,489 square feet of positive net absorption during fourth quarter of 2004, giving the San Diego Industrial Market a total of 2,256,803 square feet of positive absorption for 2004. This is the best performance in recent years.

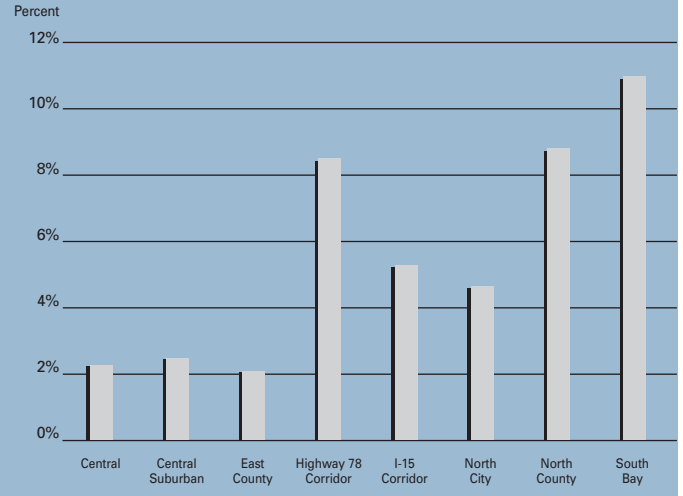
## INDUSTRIAL MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	1,892,279	1,899,289	1,615,913	-0.37%
Under Construction	1,531,904	1,476,922	1,459,082	3.72%
Vacancy Rate	6.15%	6.22%	5.67%	-1.13%
Availability Rate	7.99%	8.32%	8.57%	-3.97%
Average Asking Lease Rate	\$0.65	\$0.65	\$0.67	0.00%
Net Absorption	2,256,803	1,793,507	625,281	25.83%
Gross Activity	11,742,493	10,518,251	9,981,666	11.64%

## VACANCY RATE



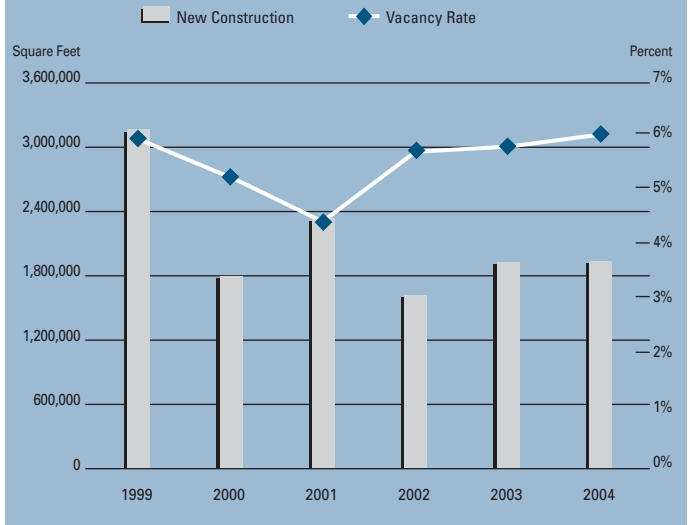
## VACANCY RATE BY SUBMARKET



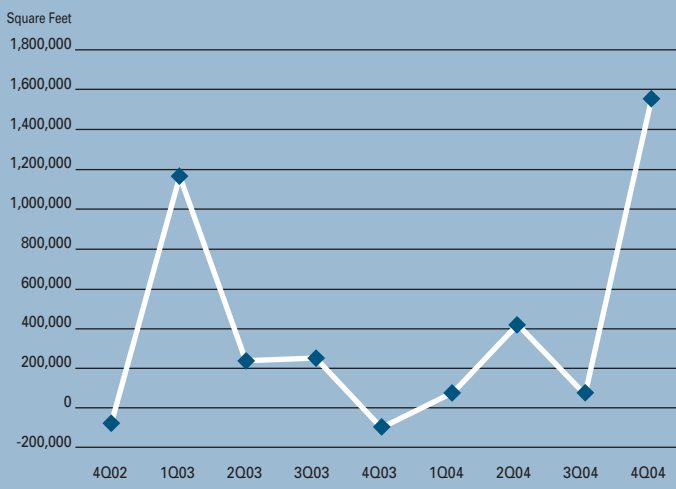
## AVERAGE ASKING TRIPLE NET LEASE RATE



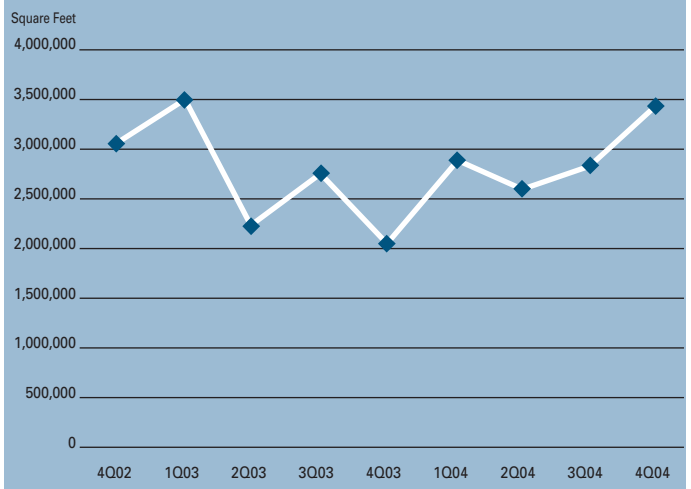
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



S A N D I E G O C O U N T Y

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 4Q2004	Total Availability 4Q2004	Average Asking Lease Rate	Net Absorption 4Q2004	Net Absorption 2004
<b>Central</b>										
Downtown	233	8,669,572	0	0	192,340	2.22%	304,577	\$0.63	18,785	(2,799)
East City	46	1,471,967	0	83,000	60,520	4.11%	100,520	\$0.65	(11,442)	(29,600)
<b>Central Total</b>	<b>279</b>	<b>10,141,539</b>	<b>0</b>	<b>83,000</b>	<b>252,860</b>	<b>2.49%</b>	<b>405,097</b>	<b>\$0.63</b>	<b>7,343</b>	<b>(32,399)</b>
<b>Central Suburban</b>										
Airport/Sports Arena	75	1,809,188	0	0	58,275	3.22%	84,275	\$0.85	20,456	9,243
Kearny Mesa	377	11,667,755	0	45,000	319,579	2.74%	633,980	\$0.84	155,971	84,523
Mission Gorge	55	1,718,343	0	0	56,532	3.29%	59,657	\$0.68	34,715	10,931
Rose Canyon/Morena	92	2,583,375	0	0	38,480	1.49%	46,869	\$1.02	24,927	21,617
<b>Central Suburban Total</b>	<b>599</b>	<b>17,778,661</b>	<b>0</b>	<b>45,000</b>	<b>472,866</b>	<b>2.66%</b>	<b>824,781</b>	<b>\$0.84</b>	<b>236,069</b>	<b>126,314</b>
<b>East County</b>										
El Cajon	222	6,931,008	0	12,000	163,445	2.36%	394,614	\$0.60	(72,871)	(40,476)
La Mesa/Spring Valley	52	1,372,830	0	0	66,104	4.82%	70,815	\$0.70	(9,991)	58,396
Santee/Lakeside	126	3,345,531	0	46,680	15,630	0.47%	18,630	\$0.00	(8,790)	241,766
<b>East County Total</b>	<b>400</b>	<b>11,649,369</b>	<b>0</b>	<b>58,680</b>	<b>245,179</b>	<b>2.10%</b>	<b>484,059</b>	<b>\$0.62</b>	<b>(91,652)</b>	<b>259,686</b>
<b>Highway 78 Corridor</b>										
Oceanside	210	5,366,194	39,868	1,756,542	527,425	9.83%	539,475	\$0.59	(61,372)	70,270
San Marcos	238	6,440,004	0	40,000	415,234	6.45%	415,234	\$0.54	39,820	114,378
Vista/Fallbrook	250	9,421,829	25,000	261,999	888,577	9.43%	1,163,814	\$0.59	95,779	372,173
<b>Highway 78 Corridor Total</b>	<b>698</b>	<b>21,228,027</b>	<b>64,868</b>	<b>2,058,541</b>	<b>1,831,236</b>	<b>8.63%</b>	<b>2,118,523</b>	<b>\$0.58</b>	<b>74,227</b>	<b>556,821</b>
<b>I-15 Corridor</b>										
Escondido	247	5,021,570	0	250,000	235,431	4.69%	236,621	\$1.17	90,768	179,785
Poway	145	6,326,209	417,641	0	355,167	5.61%	626,828	\$0.72	104,029	255,939
Rancho Bernardo	63	5,512,492	0	0	259,814	4.71%	462,211	\$0.87	405,053	454,573
Scripps Ranch	36	903,577	0	0	80,712	8.93%	89,591	\$0.82	(1,769)	(8,870)
<b>I-15 Corridor Total</b>	<b>491</b>	<b>17,763,848</b>	<b>417,641</b>	<b>250,000</b>	<b>931,124</b>	<b>5.24%</b>	<b>1,415,251</b>	<b>\$0.88</b>	<b>598,081</b>	<b>881,427</b>
<b>North City</b>										
Miramar	384	13,111,863	0	200,000	533,204	4.07%	864,907	\$0.65	44,937	69,135
Sorrento Mesa	92	4,748,837	0	0	256,934	5.41%	314,282	\$0.88	77,628	193,015
Sorrento Valley	70	1,606,934	0	0	130,819	8.14%	145,338	\$1.27	(12,281)	5,448
UTC	6	323,110	0	0	0	0.00%	0	\$0.00	16,316	16,316
<b>North City Total</b>	<b>552</b>	<b>19,790,744</b>	<b>0</b>	<b>200,000</b>	<b>920,957</b>	<b>4.65%</b>	<b>1,324,527</b>	<b>\$0.72</b>	<b>126,600</b>	<b>283,914</b>
<b>North County</b>										
Carlsbad	219	8,535,874	0	29,898	787,232	9.22%	897,741	\$0.72	37,292	267,152
North Beach Cities	10	494,270	0	0	8,243	1.67%	8,243	\$0.00	(6,700)	(7,243)
<b>North County Total</b>	<b>229</b>	<b>9,030,144</b>	<b>0</b>	<b>29,898</b>	<b>795,475</b>	<b>8.81%</b>	<b>905,984</b>	<b>\$0.72</b>	<b>30,592</b>	<b>259,909</b>
<b>South Bay</b>										
Chula Vista	192	8,748,715	79,398	450,000	832,383	9.51%	922,250	\$0.59	83,712	(308,130)
National City	78	3,076,201	0	0	58,925	1.92%	129,876	\$0.62	12,371	(15,650)
Otay Mesa	180	10,243,340	969,997	581,400	1,641,594	16.03%	1,854,279	\$0.53	463,360	217,727
San Ysidro	46	1,756,807	0	24,121	90,863	5.17%	98,355	\$0.56	12,786	27,184
<b>South Bay Total</b>	<b>496</b>	<b>23,825,063</b>	<b>1,049,395</b>	<b>1,055,521</b>	<b>2,623,765</b>	<b>11.01%</b>	<b>3,004,760</b>	<b>\$0.55</b>	<b>572,229</b>	<b>(78,869)</b>
<b>San Diego County Total</b>	<b>3,744</b>	<b>131,207,395</b>	<b>1,531,904</b>	<b>3,780,640</b>	<b>8,073,462</b>	<b>6.15%</b>	<b>10,482,982</b>	<b>\$0.65</b>	<b>1,553,489</b>	<b>2,256,803</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 2004

## 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

### HIGHWAY 78 CORRIDOR

Oceanside  
San Marcos  
Vista/Fallbrook

### I-15 CORRIDOR

Escondido  
Poway  
Rancho Bernardo  
Scripps Ranch

### NORTH CITY

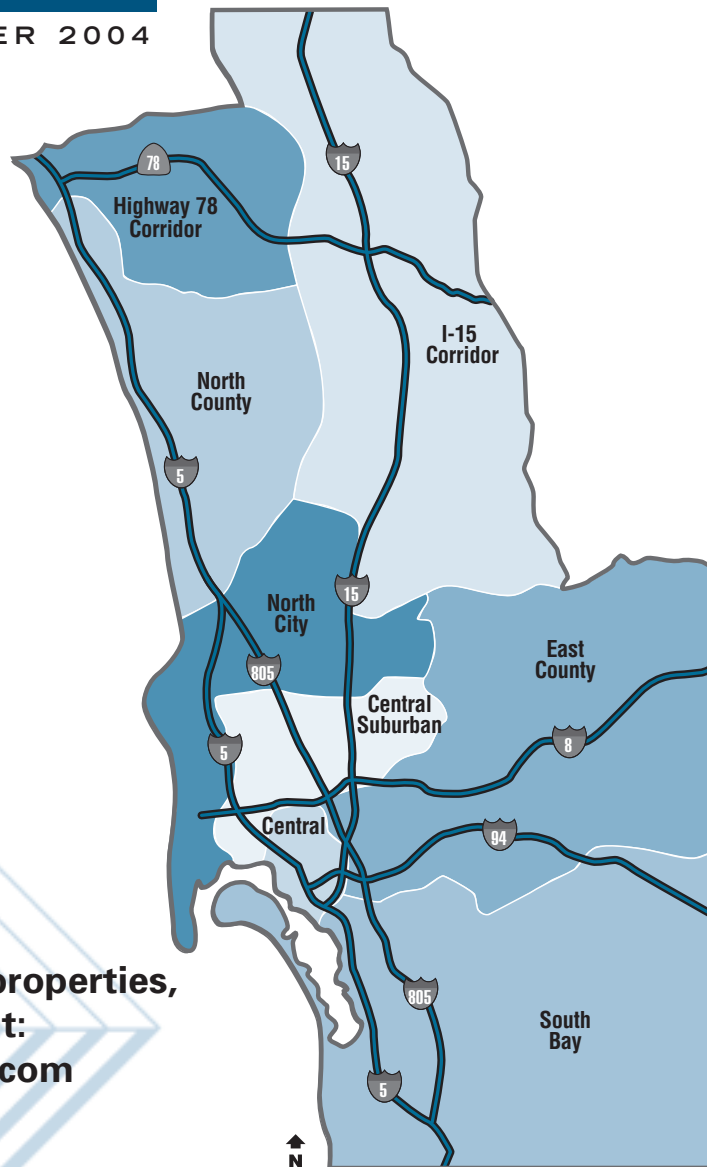
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC

### NORTH COUNTY

Carlsbad  
North Beach Cities

### SOUTH BAY

Chula Vista  
National City  
Otay Mesa  
San Ysidro



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