

INDUSTRIAL MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2005 in San Diego County is 4.2%, which is a decrease of 0.1% since the third quarter of 2005 and down from the 4.4% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2005, and they are forecasting 23,000 new jobs in 2006. They are also forecasting a 6.8% increase in total personal income for 2005.
- ◆ Currently there is 1,234,017 square feet of Industrial construction underway, and total construction is down by about 20% compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 3,523,696 square feet of Industrial space on the slate as being planned, compared to last year's figure of 4,780,640.
- ◆ The Industrial vacancy rate is checking in at 6.25%, which is about the same as last quarter when it was 6.27%. This lack of supply is creating a lot of constrained demand for Industrial space in the San Diego County area and is putting upward pressure on lease rates.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.69, which is a 6.15% increase over last year's fourth quarter rate of \$.65. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to expand.
- ◆ Industrial absorption checked in at 361,246 square feet of positive net absorption during fourth quarter of 2005, giving the San Diego Industrial Market a total of 1,998,586 square feet of positive absorption for 2005.

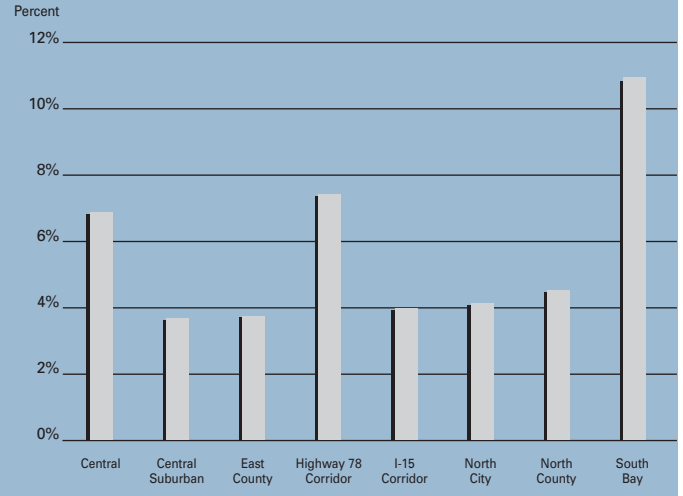
INDUSTRIAL MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	1,839,443	1,892,279	1,899,289	-2.79%
Under Construction	1,234,017	1,531,904	1,476,922	-19.45%
Vacancy Rate	6.25%	6.15%	6.22%	1.63%
Availability Rate	7.80%	7.99%	8.32%	-2.38%
Average Asking Lease Rate	\$0.69	\$0.65	\$0.65	6.15%
Net Absorption	1,998,586	2,256,803	1,793,507	-11.44%
Gross Activity	10,648,696	11,742,493	10,518,251	-9.31%

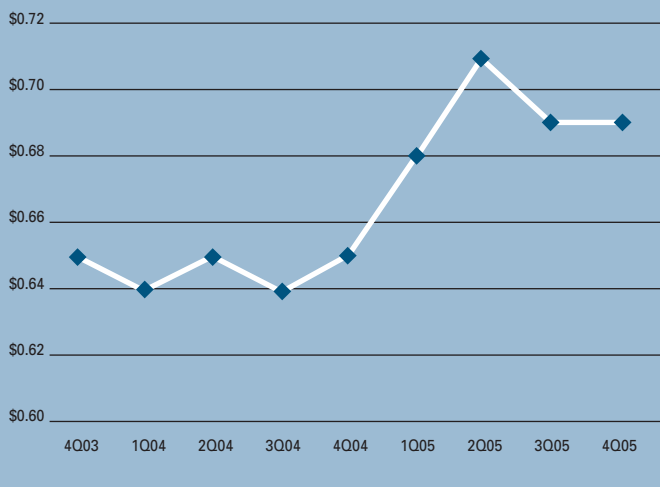
VACANCY RATE



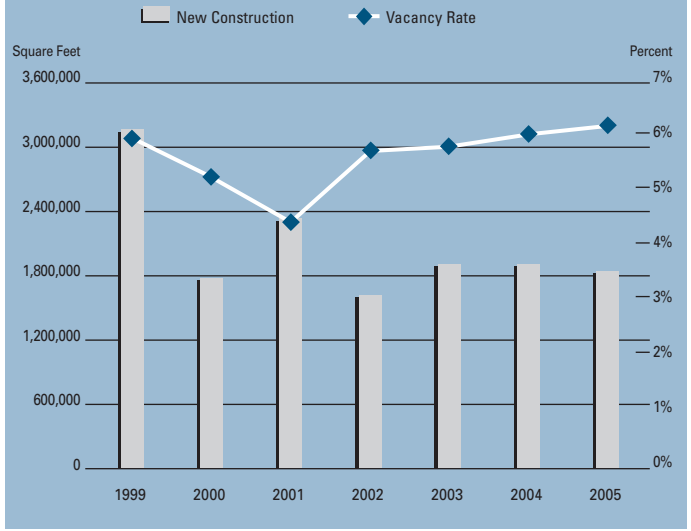
VACANCY RATE BY SUBMARKET



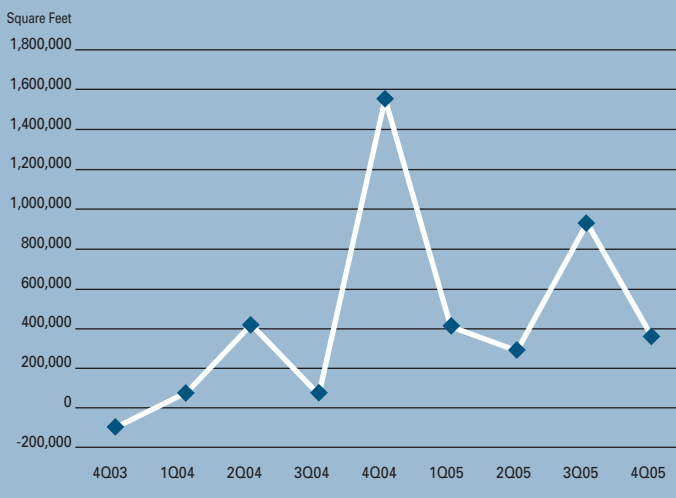
AVERAGE ASKING TRIPLE NET LEASE RATE



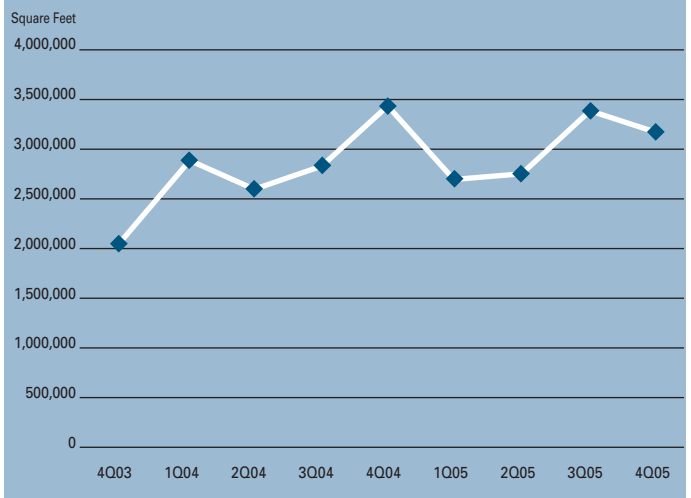
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS 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 4Q2005	Total Availability 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005
Central										
Downtown	199	6,804,188	0	0	504,466	7.41%	504,466	\$0.86	(77,346)	(328,061)
East City	47	1,586,967	0	30,000	79,065	4.98%	149,065	\$0.83	0	(18,545)
Central Total	246	8,391,155	0	30,000	583,531	6.95%	653,531	\$0.85	(77,346)	(346,606)
Central Suburban										
Airport/Sports Arena	80	2,050,221	0	0	73,121	3.57%	89,621	\$0.85	37,150	15,154
Kearny Mesa	366	11,302,002	56,000	0	427,957	3.79%	664,828	\$0.87	(17,241)	(81,043)
Mission Gorge	56	1,736,343	0	0	153,311	8.83%	198,036	\$0.75	(94,048)	(94,758)
Rose Canyon/Morena	102	3,296,969	0	0	27,308	0.83%	27,308	\$1.20	(2,335)	(8,128)
Central Suburban Total	604	18,385,535	56,000	0	681,697	3.71%	979,793	\$0.82	(76,474)	(168,775)
East County										
El Cajon	217	6,765,404	0	0	360,070	5.32%	356,529	\$0.65	51,367	(137,831)
La Mesa/Spring Valley	51	1,566,639	0	0	34,609	2.21%	34,609	\$0.75	(6,185)	47,300
Santee/Lakeside	121	3,278,327	118,556	12,680	39,156	1.19%	39,156	\$0.00	(1,948)	(20,286)
East County Total	389	11,610,370	118,556	12,680	433,835	3.74%	430,294	\$0.67	43,234	(110,817)
Highway 78 Corridor										
Oceanside	224	5,864,801	397,438	952,298	439,576	7.50%	439,576	\$0.63	88,867	256,919
San Marcos	248	6,934,731	0	40,000	415,389	5.99%	514,289	\$0.61	(23,369)	25,141
Vista/Fallbrook	246	9,538,879	185,303	153,450	789,718	8.28%	1,298,277	\$0.68	128,774	102,942
Highway 78 Corridor Total	718	22,338,411	582,741	1,145,748	1,644,683	7.36%	2,252,142	\$0.66	194,272	385,002
I-15 Corridor										
Escondido	242	4,901,991	0	267,000	202,021	4.12%	296,144	\$0.75	(20,556)	(71,724)
Poway	151	6,830,216	115,674	353,100	271,773	3.98%	302,688	\$0.79	121,894	612,989
Rancho Bernardo	62	5,412,982	0	0	209,305	3.87%	540,283	\$1.05	17,968	237,562
Scripps Ranch	35	881,256	0	0	41,121	4.67%	41,121	\$1.00	8,280	44,460
I-15 Corridor Total	490	18,026,445	115,674	620,100	724,220	4.02%	1,180,236	\$0.85	127,586	823,287
North City										
Miramar	376	12,928,788	248,480	0	418,817	3.24%	547,532	\$0.78	61,840	217,104
Sorrento Mesa	90	4,688,692	0	0	324,341	6.92%	347,659	\$0.91	78,692	(76,876)
Sorrento Valley	64	1,508,422	0	0	70,758	4.69%	70,758	\$1.34	11,813	55,433
UTC	5	306,794	0	0	0	0.00%	0	\$0.00	0	0
North City Total	535	19,432,696	248,480	0	813,916	4.19%	965,949	\$0.87	152,345	195,661
North County										
Carlsbad	216	8,587,587	0	192,148	600,981	7.00%	718,995	\$0.83	163,394	155,140
North Beach Cities	10	494,270	0	0	0	0.00%	0	\$0.00	6,700	8,243
North County Total	226	9,081,857	0	192,148	600,981	6.62%	718,995	\$0.83	170,094	163,383
South Bay										
Chula Vista	193	8,735,125	0	115,000	288,483	3.30%	377,531	\$0.70	63,464	696,130
National City	79	3,098,045	0	0	126,672	4.09%	198,782	\$0.67	(12,503)	(65,747)
Otay Mesa	213	11,345,761	112,566	1,383,899	2,331,489	20.55%	2,514,650	\$0.54	(226,319)	374,794
San Ysidro	47	1,865,187	0	24,121	47,721	2.56%	58,324	\$0.67	2,893	48,274
East County	6	126,194	0	0	0	0.00%	0	\$0.00	0	4,000
South Bay Total	538	25,170,312	112,566	1,523,020	2,794,365	11.10%	3,149,287	\$0.56	(172,465)	1,057,451
San Diego County Total	3,746	132,436,781	1,234,017	3,523,696	8,277,228	6.25%	10,330,227	\$0.69	361,246	1,998,586

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

INDUSTRIAL MARKET REPORT

FOURTH QUARTER 2005

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

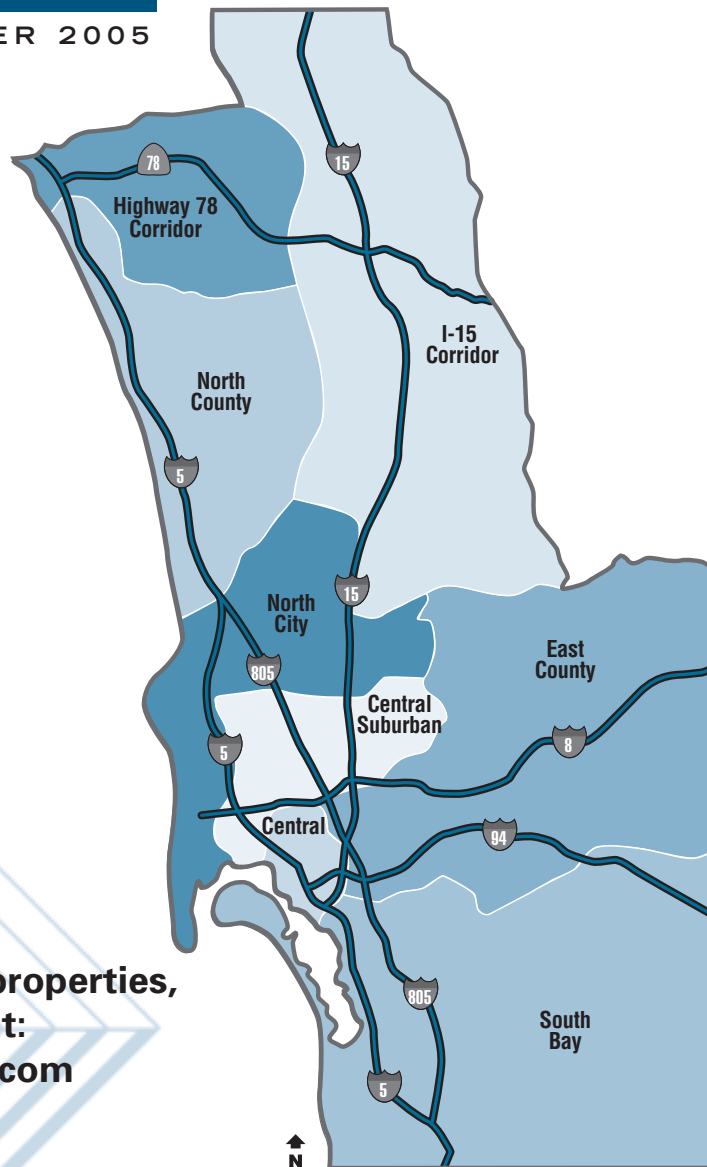
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro
East County



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