

INDUSTRIAL MARKET REPORT

FOURTH
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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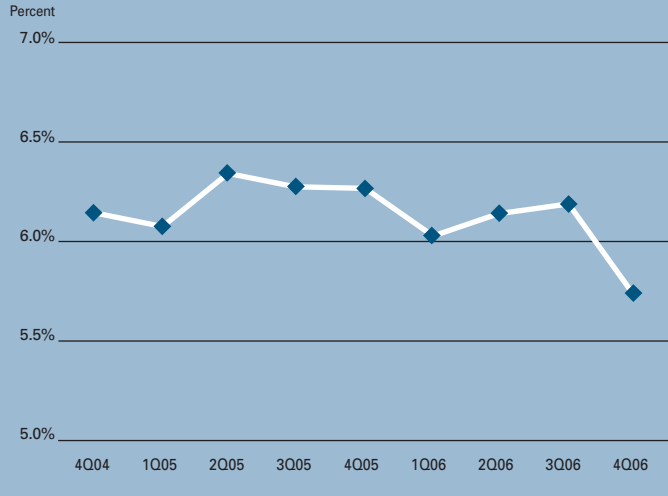
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2006 in San Diego County is 3.9%, which is 0.2% lower than it was when compared to the third quarter of 2006, and is 0.2% lower than it was at the end of last year.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2006, and they are forecasting 19,500 new jobs in 2007. They are also forecasting a 6.0% increase in total personal income for 2006.
- ◆ Currently there is 1,565,463 square feet of Industrial construction underway, and total construction is up 26.86% when compared to a year ago.
- ◆ Planned Industrial construction in San Diego County is up compared to last year. Currently there is 4,262,876 square feet of Industrial space on the slate as being planned, compared to last year's figure of 3,523,696.
- ◆ The Industrial vacancy rate is checking in at 5.75%, which is lower than it was a year ago when it was 6.25%. 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 \$0.70, which is an increase of 1.45% when compared to last years figure. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to expand.
- ◆ Industrial absorption checked in at 1,148,560 square feet of positive net absorption during the fourth quarter of 2006, giving the San Diego Industrial Market a total of 6.9 million square feet of positive absorption for the last 3 years.

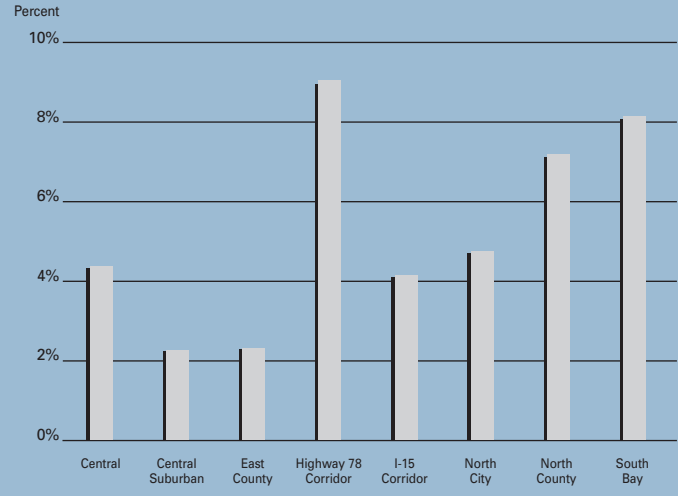
INDUSTRIAL MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	2,271,183	1,839,443	1,892,279	23.47%
Under Construction	1,565,463	1,234,017	1,531,904	26.86%
Vacancy Rate	5.75%	6.25%	6.15%	-8.00%
Availability Rate	7.09%	7.80%	7.99%	-9.10%
Average Asking Lease Rate	\$0.70	\$0.69	\$0.65	1.45%
Net Absorption	2,673,429	1,998,586	2,256,803	33.77%
Gross Activity	10,595,849	10,648,696	11,742,493	-0.50%

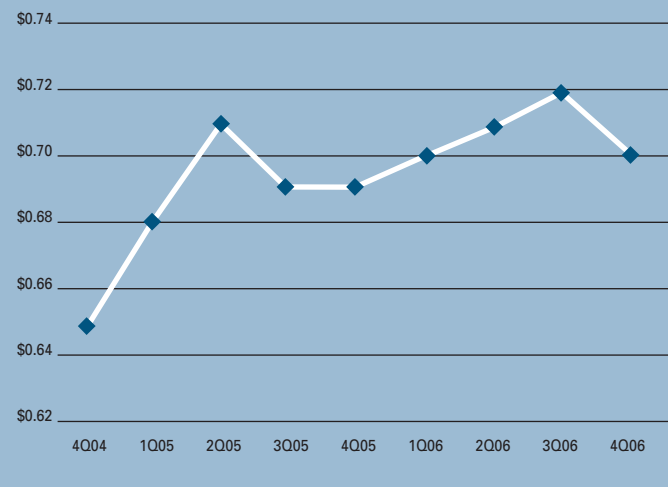
VACANCY RATE



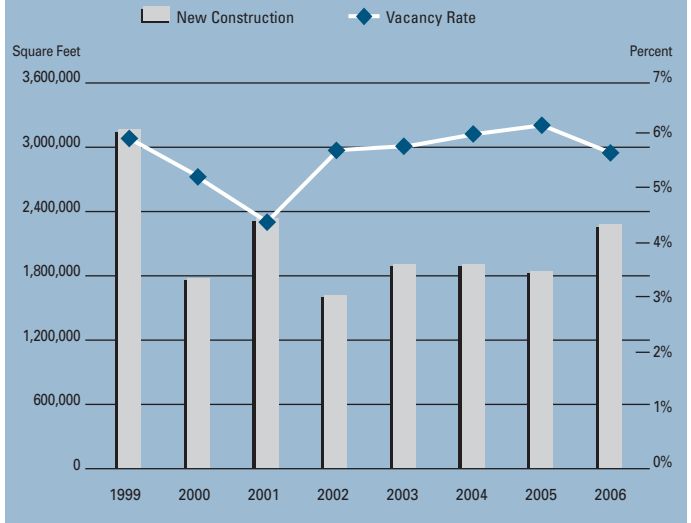
VACANCY RATE BY SUBMARKET



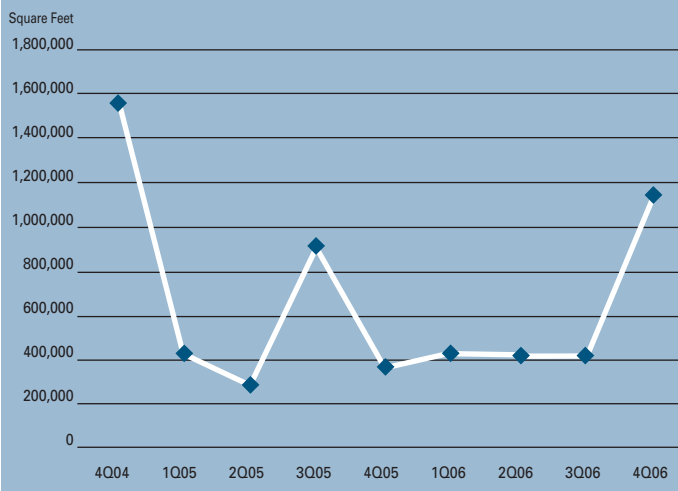
AVERAGE ASKING TRIPLE NET LEASE RATE



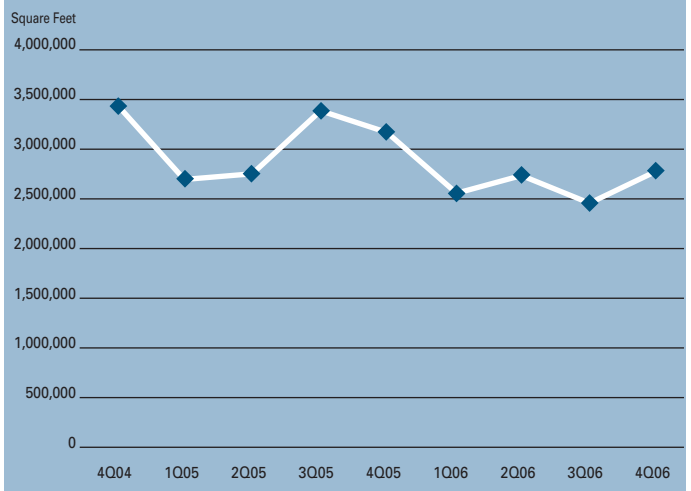
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 4Q2006	Total Availability 4Q2006	Average Asking Lease Rate	Net Absorption 4Q2006	Net Absorption 2006
Central										
Downtown	201	7,026,054	0	0	391,423	5.57%	533,693	\$0.65	(52,179)	117,491
East City	47	1,570,289	0	30,000	3,100	0.20%	57,830	\$0.00	51,965	75,965
Central Total	248	8,596,343	0	30,000	394,523	4.59%	591,523	\$0.65	(214)	193,456
Central Suburban										
Airport/Sports Arena	76	1,921,169	0	92,548	36,431	1.90%	94,837	\$0.69	78,602	50,690
Kearny Mesa	358	11,124,171	0	0	297,958	2.68%	362,142	\$0.93	121,828	177,485
Mission Gorge	55	1,722,352	0	0	90,840	5.27%	85,840	\$0.79	19,228	60,471
Rose Canyon/Morena	104	3,419,301	0	0	19,979	0.58%	12,573	\$0.00	(4,566)	10,629
Central Suburban Total	593	18,186,993	0	92,548	445,208	2.45%	555,392	\$0.81	215,092	299,275
East County										
El Cajon	219	6,763,278	0	0	216,139	3.20%	292,039	\$0.00	48,342	85,247
La Mesa/Spring Valley	54	1,461,430	0	0	38,857	2.66%	68,717	\$0.00	21,047	(3,748)
Santee/Lakeside	135	3,605,484	0	312,680	37,668	1.04%	105,584	\$0.00	120,196	229,349
East County	8	221,809	0	0	9,500	4.28%	23,772	\$0.00	5,000	0
East County Total	416	12,052,001	0	312,680	302,164	2.51%	490,112	\$0.00	194,585	310,848
Highway 78 Corridor										
Oceanside	245	6,870,365	243,803	1,307,220	837,108	12.18%	836,989	\$0.72	8,687	301,160
San Marcos	258	7,084,983	0	1,015,000	358,745	5.06%	459,311	\$0.52	123,607	50,742
Vista/Fallbrook	257	9,970,853	0	138,585	945,111	9.48%	1,015,144	\$0.73	158,520	29,642
Highway 78 Corridor Total	760	23,926,201	243,803	2,460,805	2,140,964	8.95%	2,311,444	\$0.71	290,814	381,544
I-15 Corridor										
Escondido	245	5,184,562	28,486	250,000	221,400	4.27%	414,793	\$0.83	(24,650)	(236)
Poway	152	6,725,953	40,702	309,500	126,093	1.87%	461,136	\$0.91	99,091	98,980
Rancho Bernardo	59	4,961,415	0	0	323,979	6.53%	338,681	\$0.94	(59,279)	(114,951)
Scripps Ranch	32	831,092	0	0	81,786	9.84%	102,122	\$0.94	7,156	(51,013)
I-15 Corridor Total	488	17,703,022	69,188	559,500	753,258	4.25%	1,316,732	\$0.88	22,318	(67,220)
North City										
Miramar	387	13,483,860	0	0	473,833	3.51%	600,200	\$0.78	172,343	201,966
Sorrento Mesa	91	4,993,967	20,162	0	443,506	8.88%	486,606	\$0.89	(32,707)	(77,680)
Sorrento Valley	65	1,524,120	0	0	54,395	3.57%	56,092	\$0.79	63,069	33,623
UTC	5	281,064	0	0	0	0.00%	0	\$0.00	0	0
North City Total	548	20,283,011	20,162	0	971,734	4.79%	1,142,898	\$0.79	202,705	157,909
North County										
Carlsbad	214	9,257,639	52,796	26,054	703,047	7.59%	738,304	\$0.88	90,098	171,012
North Beach Cities	10	516,570	0	0	0	0.00%	0	\$0.00	0	0
North County Total	224	9,774,209	52,796	26,054	703,047	7.19%	738,304	\$0.88	90,098	171,012
South Bay										
Chula Vista	192	8,008,154	183,557	131,720	225,919	2.82%	306,337	\$0.84	53,671	71,014
National City	82	3,651,209	0	357,448	61,915	1.70%	165,727	\$0.64	17,444	59,907
Otay Mesa	225	12,047,773	995,957	0	1,730,697	14.37%	1,918,433	\$0.55	39,405	1,081,429
San Ysidro	48	1,757,163	0	292,121	83,705	4.76%	106,339	\$0.66	22,642	14,255
South Bay Total	547	25,464,299	1,179,514	781,289	2,102,236	8.26%	2,496,836	\$0.59	133,162	1,226,605
San Diego County Total	3,824	135,986,079	1,565,463	4,262,876	7,813,134	5.75%	9,643,241	\$0.70	1,148,560	2,673,429

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

INDUSTRIAL MARKET REPORT

FOURTH QUARTER 2006

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
East County

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Escondido
Poway
Rancho Bernardo
Scripps Ranch

NORTH CITY

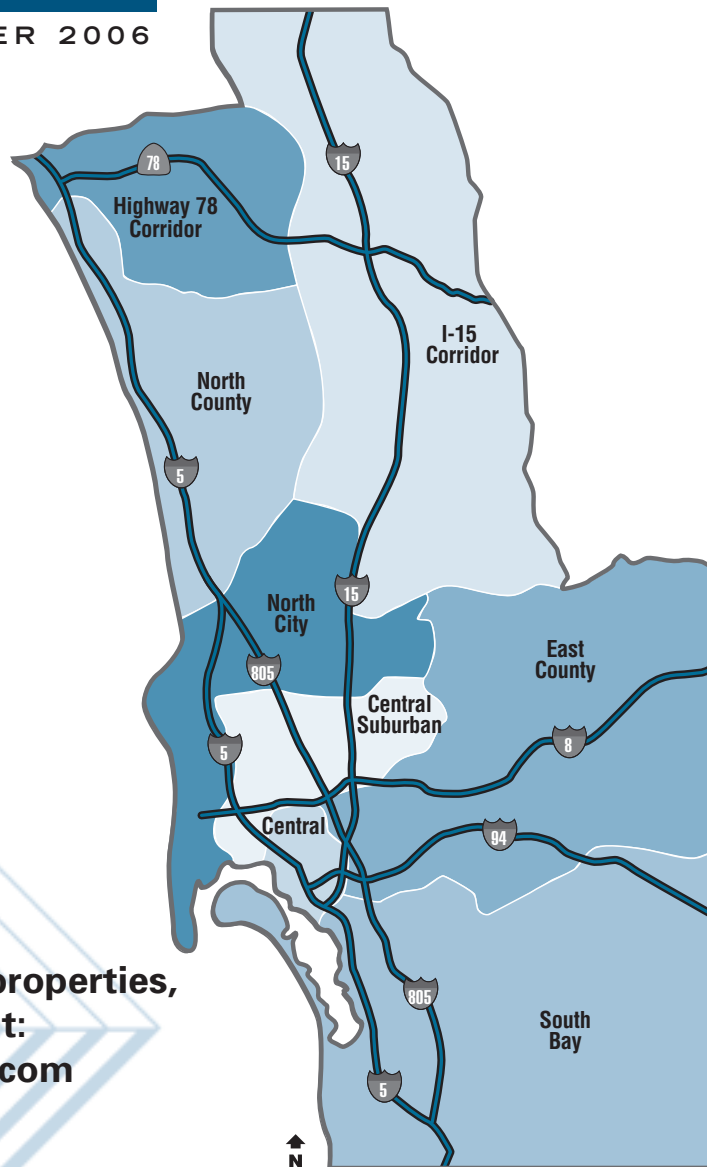
Miramar
Sorrento Mesa
Sorrento Valley
UTC

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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