



Industrial Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

**Vacancy
DOWN**



Absorption



UP

Lease Rates

DOWN



Construction

DOWN



To view available properties,
please visit:

www.voitco.com



Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

Market Highlights

- ◆ The Industrial vacancy rate was recorded at 5.92% for the fourth quarter of 2007, which is a little higher than it was a year ago when it was 5.75%. The lowest vacancy rate in the county can be found in the Central Suburban submarket, coming in at 1.97%. This lack of supply is creating 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 \$0.74, which is an increase of 5.71% when compared to last year's figure. The highest rates in the county can be found in the North City and North County submarkets, where the average asking Triple Net lease rate is \$0.94 and \$1.04 per square foot respectively. Rental rates are expected to increase 3% to 5% in 2008.
- ◆ Industrial absorption registered 1,367,759 square feet of positive net absorption during 2007, which is about half of the amount of positive absorption experienced in 2006. Most of the positive absorption that occurred in 2007 was in the Highway 78, I-15 Corridor, North County and North City submarkets.
- ◆ Unemployment in the fourth quarter of 2007 in San Diego County is 4.8%, which is the same as it was when compared to the third quarter of 2007, and 0.8% higher than it was a year ago.
- ◆ According to the Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 7,900 new non-farm jobs in 2007, and they are forecasting 16,900 new non-farm jobs in 2008 with another 22,600 new jobs in 2009. They are also forecasting a 4.1% gain in total personal income with inflation increasing by 2.9% for 2007.
- ◆ Currently there is 465,221 square feet of Industrial construction underway, and total construction is down just over 70% when compared to a year ago. This slow down is due to increasing land and construction costs.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 3,555,536 square feet of Industrial space on the slate as being planned, compared to last year's figure of 4,262,876.

INDUSTRIAL MARKET OVERVIEW

	2007	2006	2005	% CHANGE VS. 2006
Inventory Added	1,944,893	2,271,183	1,839,443	-14.37%
Under Construction	465,221	1,565,463	1,234,017	-70.28%
Vacancy Rate	5.92%	5.75%	6.25%	2.96%
Availability Rate	7.92%	7.09%	7.80%	11.71%
Average Asking Lease Rate	\$0.74	\$0.70	\$0.69	5.71%
Net Absorption	1,367,759	2,673,429	1,998,586	-48.84%
Gross Activity	8,737,928	10,595,849	10,648,696	-17.53%

Real People. Real Solutions.

RECENT TRANSACTIONS

Sales Activity

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
4000 Ruffin Road	Kearny Mesa	474,622	\$77,000,000	First Industrial Realty Trust	Landmark Asset Management Group
Miramar Commerce Park	Miramar	459,015	\$70,000,000	Walton Street Capital, LLC	RREEF America LLC
9255 Customhouse Pl - 8 Properties	Otay Mesa	612,908	\$51,800,000	Crow Holdings	First Industrial Realty Trust, Inc.
14107 & 14115 Stowe Drive	Poway	409,105	\$44,000,000	General Atomics	Toppa Optical Products, Inc.

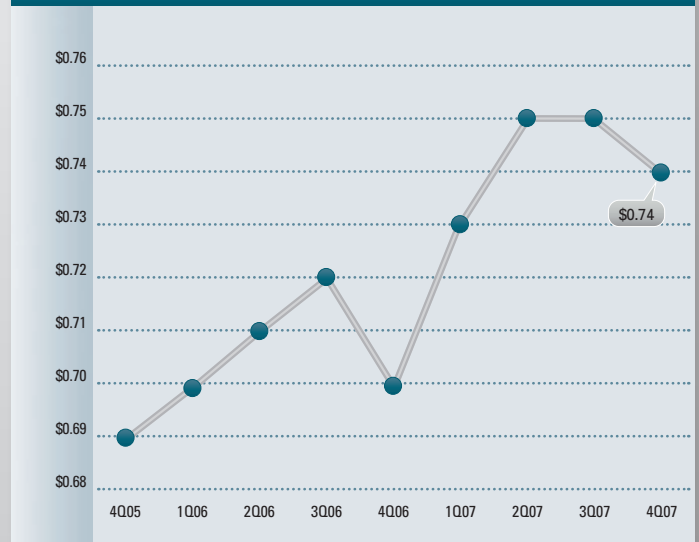
Lease Activity

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
14115 Stowe	Poway	314,940	May-07	General Atomics Aeronautical	Sorrento West Properties, Inc.
14303 Gateway Place	Poway	135,755	February-07	College Loan Corporation	Sorrento West Properties, Inc.
2985 Scott Street	Vista	120,221	April-07	SAIC	Pccp Dj Ortho LLC
8863 Siempre Viva Road	Otay Mesa	112,000	August-07	Hitachi Transport Systems	Weingarten Realty Investors

VACANCY RATE



AVERAGE ASKING TRIPLE NET LEASE RATE



NET ABSORPTION



GROSS ABSORPTION



	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2007	Total Availability 4Q2007	Average Asking Lease Rate	Net Absorption 4Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
Central												
Downtown	208	7,308,340	0	0	486,463	6.66%	491,809	\$0.71	37,200	(96,590)	117,491	(328,061)
East City	55	1,715,509	0	0	37,200	2.17%	37,200	\$1.02	5,944	1,400	75,965	(18,545)
Central Total	263	9,023,849	0	0	523,663	5.80%	529,009	\$0.74	43,144	(95,190)	193,456	(346,606)
Central Suburban												
Airport/Sports Arena	89	2,220,463	0	92,548	23,806	1.07%	58,018	\$0.90	38,000	13,125	50,690	15,154
Kearny Mesa	364	11,286,329	0	0	189,096	1.68%	260,774	\$1.15	137,263	111,262	177,485	(81,043)
Mission Gorge	61	2,012,370	0	0	144,289	7.17%	153,135	\$0.85	(4,378)	(53,449)	60,471	(94,758)
Rose Canyon/Morena	109	3,724,585	0	0	22,273	0.60%	22,407	\$1.00	(1,738)	(794)	10,629	(8,128)
Central Suburban Total	623	19,243,747	0	92,548	379,464	1.97%	494,334	\$0.90	169,147	70,144	299,275	(168,775)
East County												
El Cajon	304	9,324,817	0	0	172,790	1.85%	202,897	\$0.81	(8,420)	126,562	85,247	(137,831)
La Mesa/Spring Valley	65	1,598,082	0	0	45,969	2.88%	80,210	\$0.80	(16,969)	(8,029)	(3,748)	47,300
Santee/Lakeside	171	4,160,234	25,101	312,680	115,892	2.79%	205,003	\$0.75	(10,672)	25,334	229,349	(20,286)
East County	13	463,905	0	0	0	0.00%	12,272	\$0.78	0	9,500	0	4,000
East County Total	553	15,547,038	25,101	312,680	334,651	2.15%	500,382	\$0.72	-36,061	153,367	310,848	(106,817)
Highway 78 Corridor												
Oceanside	268	7,640,924	23,340	735,136	787,746	10.31%	950,026	\$0.72	248,322	367,919	301,160	256,919
San Marcos	279	7,766,814	0	1,096,747	470,782	6.06%	573,808	\$0.73	78,410	(31,109)	50,742	25,141
Vista/Fallbrook	259	9,949,426	0	191,750	851,332	8.56%	942,209	\$0.80	174,359	26,322	29,642	102,942
Highway 78 Corridor Total	806	25,357,164	23,340	2,023,633	2,109,860	8.32%	2,466,043	\$0.76	501,091	363,132	381,544	385,002
I-15 Corridor												
Escondido	265	5,685,386	71,250	250,000	173,718	3.06%	236,334	\$0.84	(26,040)	49,523	(236)	(71,724)
Poway	140	7,233,519	0	385,500	292,067	4.04%	568,767	\$0.91	13,807	84,331	98,980	612,989
Rancho Bernardo	52	4,574,898	0	0	200,347	4.38%	384,920	\$0.88	9,402	89,249	(114,951)	237,562
Scripps Ranch	29	800,115	0	0	46,718	5.84%	46,718	\$0.92	45,576	32,428	(51,013)	44,460
I-15 Corridor Total	486	18,293,918	71,250	635,500	712,850	3.90%	1,236,739	\$0.89	42,745	255,531	(67,220)	823,287
North City												
Miramar	401	14,115,891	0	0	736,915	5.22%	875,562	\$0.89	(128,722)	(137,590)	201,966	217,104
Sorrento Mesa	96	5,077,851	0	0	235,641	4.64%	462,356	\$1.04	22,556	281,327	(77,680)	(76,876)
Sorrento Valley	62	1,496,286	0	0	16,766	1.12%	22,059	\$0.00	393	47,204	33,623	55,433
UTC	4	211,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
North City Total	563	20,901,092	0	0	989,322	4.73%	1,359,977	\$0.94	(105,773)	190,941	157,909	195,661
North County												
Carlsbad	221	9,677,100	0	26,054	585,323	6.05%	1,067,745	\$1.04	89,639	246,670	171,012	155,140
North Beach Cities	16	580,858	0	0	0	0.00%	0	\$0.00	0	0	0	8,243
North County Total	237	10,257,958	0	26,054	585,323	5.71%	1,067,745	\$1.04	89,639	246,670	171,012	163,383
South Bay												
Chula Vista	221	9,426,999	0	65,000	471,785	5.00%	569,524	\$0.85	84,463	(77,580)	71,014	696,130
National City	85	3,844,618	0	0	214,910	5.59%	251,642	\$0.77	(23,678)	(80,195)	59,907	(65,747)
Otay Mesa	238	13,348,014	345,530	354,000	2,265,341	16.97%	3,046,065	\$0.55	215,318	384,565	1,081,429	374,794
San Ysidro	50	1,847,852	0	46,121	127,331	6.89%	132,528	\$0.71	56,046	(43,626)	14,255	48,274
South Bay Total	594	28,467,483	345,530	465,121	3,079,367	10.82%	3,999,759	\$0.61	332,149	183,164	1,226,605	1,053,451
San Diego County Total	4,125	147,092,249	465,221	3,555,536	8,714,500	5.92%	11,653,988	\$0.74	1,036,081	1,367,759	2,673,429	1,998,586

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

CONSTRUCTION UPDATE

Under Construction

Property Address	Submarket	Square Feet	Estimate Delivery	Recorded Owner
Britannia Industrial Park - 5 Buildings	Otay Mesa	156,068	April-08	N/A
1201 Pacific Oaks Place	Escondido	71,250	N/A	Rmc2 Pacific Place LLC
Enrico Fermi Rd @ Siepre Viva	Otay Mesa	68,000	May-08	Trammell Crow Company
8527 Avenida Costa Sur	Otay Mesa	55,380	January-08	Siempre Viva III, LLC

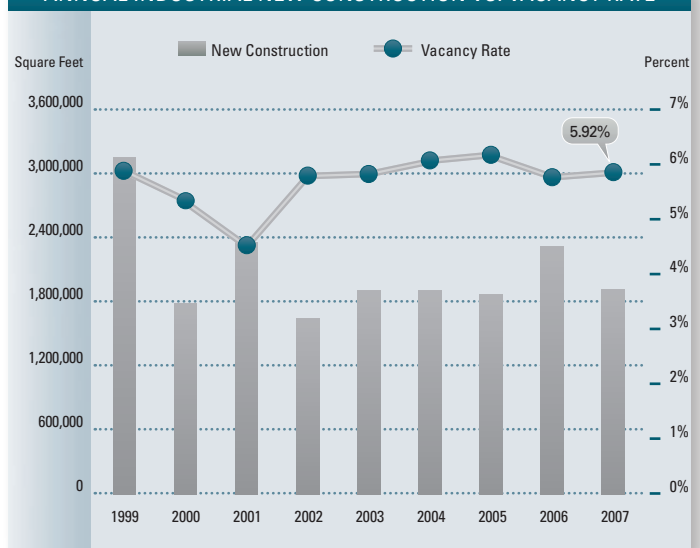
Recent Deliveries

Property Address	Submarket	Square Feet	Date Delivered	Recorded Owner
Ocean View Hills Corporate Center - 6 Buildings	Otay Mesa	393,832	May-07	Sudberry Properties, Inc.
Three Piper Ranch - Air Wing Road	Otay Mesa	333,000	October-07	Master Development Corporation
Oceanside Gateway Business Park - 26 Bldgs.	Oceanside	243,362	November-07	BKM Development Company
Chula Vista Commerce Center - 6 Buildings	Chula Vista	183,194	July-07	Voit Development

Product Type

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.

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. VACANCY RATE



For further information, please contact:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868-1642

TEL: 714.978.7880

FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210
Chula Vista, CA 91910

TEL: 619.498.4560

FAX: 619.498.4567

IRVINE OFFICE

2020 Main St., Suite 100
Irvine, CA 92614

TEL: 949.851.5100

FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,
Suite 200
Las Vegas, NV 89135

TEL: 702.734.4500

FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,
Suite 990
San Diego, CA 92122-1233

TEL: 858.453.0505

FAX: 858.453.1981

To view available properties, please visit:

www.voitco.com



Real People. Real Solutions.

This survey consists of properties 10,000 square feet and larger in size, 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 Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.