



Industrial Market Report

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Market Highlights

- ◆ The San Diego County Industrial market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the industrial market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Industrial vacancy rate was recorded at 6.76% for the fourth quarter of 2008, which is higher than it was a year ago when it was 5.68%. The lowest vacancy rate in the county can be found in the Central Suburban submarket, coming in at 3.22%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at \$0.76, which is six cents higher when compared to last year's figure of \$0.70. The highest rates in the county can be found in the Central Suburban and North County submarkets, where the average asking Triple Net lease rates are \$1.08 and \$0.95 per square foot respectively. Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.
- ◆ Industrial absorption registered 438,288 square feet of negative net absorption for the fourth quarter of 2008. Most of the negative absorption that occurred was in the Central Suburban and North City submarkets.
- ◆ The level of activity registered at 1.38 million square feet for the fourth quarter of 2008. This is down from the 2.46 million square feet of activity when compared to the same quarter last year, but still below the historical average of 2.75 million square feet per quarter. This recent drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics. The recent lack of activity can be tied to the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome, though, hinges on how bad the recession gets and how quickly credit eases up.
- ◆ According to the State of California Employment Development Department, San Diego County lost 15,300 payroll jobs over the last twelve months. Between October 2008 and November 2008 San Diego County lost 2,200 jobs, mostly in the leisure & hospitality and construction sectors.
- ◆ The unemployment rate in San Diego County was 6.9% in November 2008, unchanged from a revised 6.9% percent in October 2008, but above the year ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 8.3 percent for California and 6.5 percent for the nation during the same period.
- ◆ Currently there is 566,265 square feet of Industrial construction underway, and total construction is down just over 21% when compared to a year ago. This slow down is due to increasing land and construction costs and the general slow down of the US economic environment.
- ◆ Planned Industrial construction in San Diego County is down compared to last year. Currently there is 2.94 million square feet of Industrial space on the slate as being planned, compared to last year's figure of 3.55 million square feet.

INDUSTRIAL MARKET OVERVIEW

	2008	2007	2006	% CHANGE VS. 2007
Inventory Added	550,957	1,974,204	2,510,247	-72.09%
Under Construction	566,265	465,221	1,565,463	21.72%
Vacancy Rate	6.76%	5.92%	5.75%	14.19%
Availability Rate	9.28%	7.92%	7.09%	17.17%
Average Asking Lease Rate	\$0.76	\$0.74	\$0.70	2.70%
Net Absorption	(1,120,442)	1,566,901	3,224,011	N/A
Gross Activity	7,500,688	8,846,959	11,103,834	-15.22%

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RECENT TRANSACTIONS

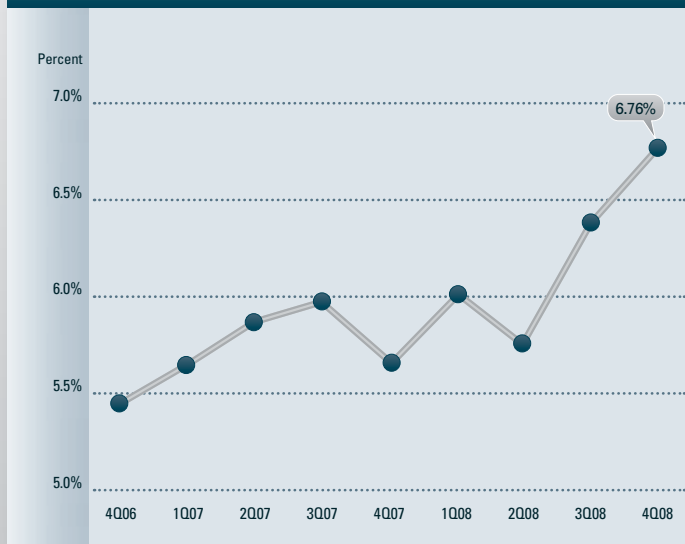
Sales Activity

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
8870 Liquid Court	Miramar	181,185	\$25,550,000	Reyes Holdings	Liquid Investments, Inc.
5600 Avenida Encinas	Carlsbad	154,400	\$20,500,000	Windstar Carlsbad Offices, LLC	Palama Huna, LLC
10808 Willow Court	Rancho Bernardo	93,646	\$15,700,000	Gen-Probe Incorporated	Kelly Capital
237 Via Vera Crus	San Marcos	80,257	\$14,800,000	Bixby Land Company	Veritek Real Estate Holdings LLC

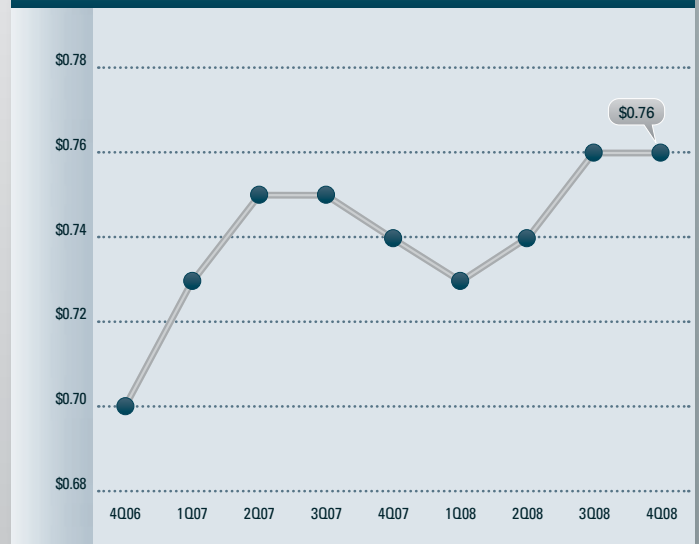
Lease Activity

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8411 Siempre Viva Road	Otay Mesa	159,631	February-08	Circle Foods Products, Inc.	Siempre Viva Business Park West LLC
8409 Kerns Street	Otay Mesa	124,068	May-08	The Paradigm Group	ING Clarion Partners
1210 Air Wing Road	Otay Mesa	124,000	August-08	CamelBak Products, Inc.	Blackrock Realty Advisors
13550 Stowe Drive	Poway	112,000	June-08	General Atomics	Pacific Office Properties Trust, LLC

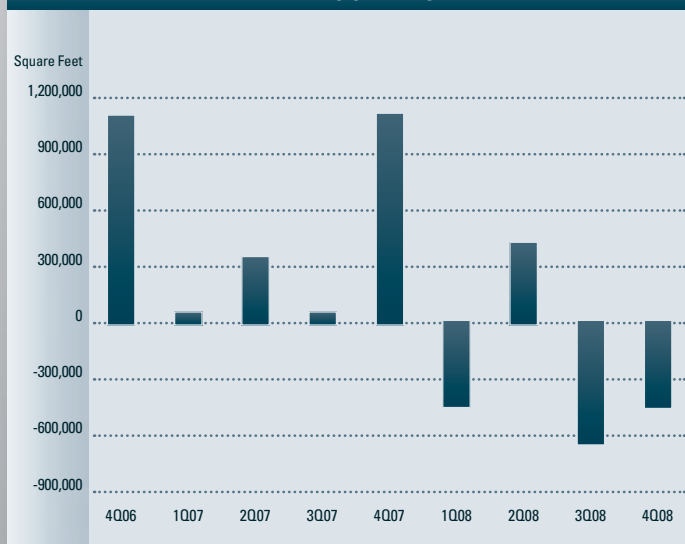
VACANCY RATE



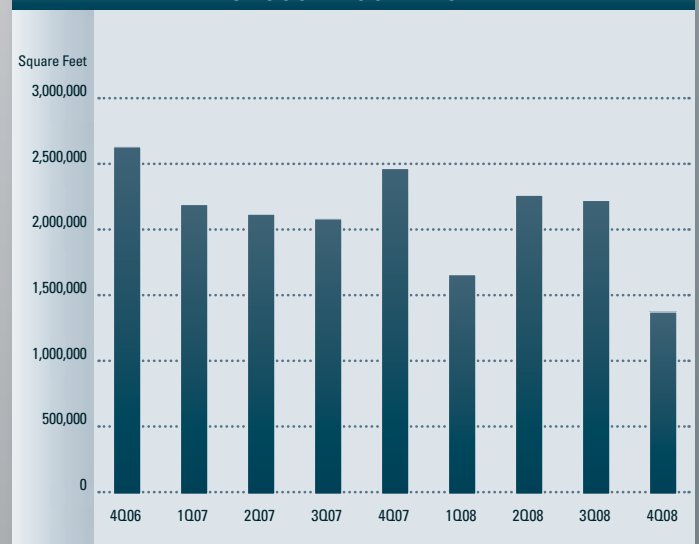
AVERAGE ASKING TRIPLE NET LEASE RATE



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 4Q2008	Total Availability 4Q2008	Average Asking Lease Rate	Net Absorption 4Q2008	Net Absorption 2008	Gross Absorption 4Q2008	Gross Absorption 2008
Central												
Downtown	197	6,980,798	0	0	287,694	4.12%	341,074	\$0.83	(7,121)	30,958	32,665	335,994
East City	54	1,707,598	0	0	46,596	2.73%	87,999	\$0.00	(12,802)	(9,396)	0	7,500
Central Total	251	8,688,396	0	0	334,290	3.85%	429,073	\$0.83	(19,923)	21,562	32,665	343,494
Central Suburban												
Airport/Sports Arena	88	2,225,393	92,548	0	34,484	1.55%	80,246	\$0.90	(16,334)	24,016	0	65,600
Kearny Mesa	356	11,030,009	0	0	248,026	2.25%	351,527	\$1.22	(4,044)	(58,930)	63,788	324,545
Mission Gorge	74	2,892,811	0	0	213,532	7.38%	182,730	\$0.90	(91,784)	(82,268)	3,260	91,877
Rose Canyon/Morena	95	2,923,377	0	0	117,320	4.01%	124,493	\$1.03	(73,152)	(95,047)	9,192	27,727
Central Suburban Total	613	19,071,590	92,548	0	613,362	3.22%	738,996	\$1.08	(185,314)	(212,229)	76,240	509,749
East County												
El Cajon	304	9,514,170	0	0	409,087	4.30%	457,094	\$0.86	(25,793)	(216,845)	106,059	299,926
La Mesa/Spring Valley	69	1,858,563	0	0	102,090	5.49%	118,590	\$0.54	(13,156)	(55,421)	4,504	45,741
Santee/Lakeside	174	4,141,401	15,731	300,000	171,852	4.15%	226,501	\$0.98	(43,877)	(38,410)	11,910	177,707
East County	14	506,460	0	0	11,008	2.17%	11,008	\$0.00	(11,008)	(11,008)	0	0
East County Total	561	16,020,594	15,731	300,000	694,037	4.33%	813,193	\$0.87	(93,834)	(321,684)	122,473	523,374
Highway 78 Corridor												
Oceanside	278	8,303,372	152,440	739,112	737,220	8.88%	829,484	\$0.74	43,572	99,413	74,109	654,965
San Marcos	279	8,046,396	0	136,747	635,304	7.90%	800,838	\$0.72	(96,611)	(149,605)	38,157	375,104
Vista/Fallbrook	267	10,176,847	12,915	223,109	750,758	7.38%	1,040,408	\$0.76	(33,138)	35,479	88,092	458,428
Highway 78 Corridor Total	824	26,526,615	165,355	1,098,968	2,123,282	8.00%	2,670,730	\$0.75	(86,177)	(14,713)	200,358	1,488,497
I-15 Corridor												
Escondido	272	5,834,999	0	250,000	240,974	4.13%	439,028	\$0.85	33,532	(28,448)	97,283	366,046
Poway	141	7,141,135	0	431,400	234,072	3.28%	568,662	\$0.96	(10,673)	53,642	53,305	423,913
Rancho Bernardo	53	4,536,994	0	0	206,136	4.54%	452,917	\$0.82	(43,933)	(25,989)	24,741	219,827
Scripps Ranch	27	743,319	0	0	60,870	8.19%	60,870	\$0.83	(5,592)	(14,152)	1,735	19,109
I-15 Corridor Total	493	18,256,447	0	681,400	742,052	4.06%	1,521,477	\$0.90	(26,666)	(14,947)	177,064	1,028,895
North City												
Miramar	396	13,843,415	0	0	818,630	5.91%	1,370,787	\$0.82	(225,380)	(89,877)	144,590	959,977
Sorrento Mesa	89	4,794,533	0	0	248,091	5.17%	400,978	\$0.97	52,686	(28,003)	56,358	228,599
Sorrento Valley	61	1,455,763	0	0	31,312	2.15%	78,981	\$1.25	1,185	(14,546)	20,592	41,490
UTC	3	151,064	0	0	0	0.00%	0	\$0.00	0	0	0	0
North City Total	549	20,244,775	0	0	1,098,033	5.42%	1,850,746	\$0.86	(171,509)	(132,426)	221,540	1,230,066
North County												
Carlsbad	221	9,608,990	0	26,632	933,619	9.72%	1,526,330	\$0.95	(5,273)	(315,122)	82,378	485,667
North Beach Cities	19	613,784	0	0	0	0.00%	0	\$0.00	0	0	0	0
North County Total	240	10,222,774	0	26,632	933,619	9.13%	1,526,330	\$0.95	(5,273)	(315,122)	82,378	485,667
South Bay												
Chula Vista	233	9,922,888	0	20,000	791,503	7.98%	912,647	\$0.60	(46,739)	(44,537)	111,160	484,800
National City	84	3,749,690	0	767,100	31,168	0.83%	33,590	\$0.00	(1,056)	183,201	9,648	235,363
Otay Mesa	259	14,008,441	292,631	0	2,552,624	18.22%	2,958,132	\$0.55	194,463	(295,118)	320,024	1,064,209
San Ysidro	49	1,832,740	0	46,121	122,760	6.70%	334,896	\$0.65	3,740	7,571	25,836	73,574
South Bay Total	625	29,513,759	292,631	833,221	3,498,055	11.85%	4,239,265	\$0.57	150,408	(148,883)	466,668	1,857,946
San Diego County Total	4,156	148,544,950	566,265	2,940,221	10,036,730	6.76%	13,789,810	\$0.76	(438,288)	(1,138,442)	1,379,386	7,467,688

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
Siempre Viva Business Park	Otay Mesa	159,631	March-09	Siempre Viva Business Park West
2729 Martinez Ranch	Otay Mesa	133,000	March-09	Innovative Oil & Gas
4350-4360 Pacific Hwy	Airport/Sports Arena	92,548	April-09	Pacific Groves Ltd.
1332 Rocky Point Drive	Oceanside	28,308	January-09	AMB Property Corporation

Recent Deliveries

Property Address	Submarket	Square Feet	Date Delivered	Recorded Owner
Britannia Industrial Park - 5 Buildings	Otay Mesa	156,068	June-08	Kearny Real Estate Company
2345 Britannia Blvd.	Otay Mesa	102,440	July-08	PCCPSG Kearny Otay LLC
Venture Commerce Center - 27 Buildings	Otay Mesa	98,250	February-08	Lbvcc Otay Mesa LLC
8527 Avenida Costa Sur	Otay Mesa	55,380	January-08	Siempre Viva III, LLC

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



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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.