



Voit

REAL ESTATE SERVICES

Real People. Real Solutions.™



Industrial Market Report

Compared to last quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Market Highlights

- ◆ **Encouraging Numbers** - The numbers this quarter appear to be encouraging for the first time since the second quarter of 2008 — a sign that recovery could be on the horizon. Availability showed signs of stabilization, vacancy dropped, and net absorption posted positive numbers. Although demand is still weak by historical standards, the volume of lease transactions is increasing. With regards to sales transactions, the ask-bid gap seems to be narrowing, evident from the drop in asking prices. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- ◆ **Construction** - Currently, there is no industrial construction underway. Scarce financing and low demand have essentially halted industrial development.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 8.62%, which is higher than a year-ago's rate of 7.44%, but slightly lower than last quarter's figure of 8.66%. The Central Suburban market posted the lowest rate in the county at 4.18%.
- ◆ **Availability** - Direct/sublease space being marketed was 12.33% this quarter, up from the 10.70% we saw this same quarter last year. This is an increase of 15.23% when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking Triple Net lease rate is \$.66 cents per square foot per month this quarter, unchanged from the last two quarter's but down as compared to last year's second quarter rate of \$.71. The record high for asking lease rates, \$.76, was recorded in the third and fourth quarters of 2008.
- ◆ **Absorption** - The county posted 136,794 square feet of positive absorption for the second quarter of 2010, giving the industrial market a total of 169,842 square feet of positive absorption for the first half of 2010.
- ◆ **Transaction Activity** - Leasing activity checked in at 1.7 million square feet, mainly a result of the recent trend of short-term deals coupled with lease renegotiations. Sales activity showed a decrease year-over-year, posting 390,000 square feet of activity as compared to 835,000 square feet in the second quarter of 2009. Details of the largest transactions can be found on the back page of this report.
- ◆ **Employment** - The unemployment rate in San Diego County was 10% in May 2010, down from a revised 10.4% in April 2010 and above the year ago estimate of 9.3%. This compares with an unadjusted unemployment rate of 11.9% for California and 9.3% for the nation during the same period. According to the State of California Employment Development Department, San Diego County lost 11,900 payroll jobs over the last twelve months — 4,400 in trade, transportation and utilities and 4,200 in manufacturing. However, educational and health services added 3,600 new jobs. Between April 2010 and May 2010 San Diego County gained 8,400 jobs overall.
- ◆ **Overall** - We are beginning to see a decrease in the amount of vacant space being added per quarter. Positive absorption is the big story, and with few new deliveries in the pipeline to drive vacancy up, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to increase to motivate tenants to quick action. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the industrial market will regain equilibrium.

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

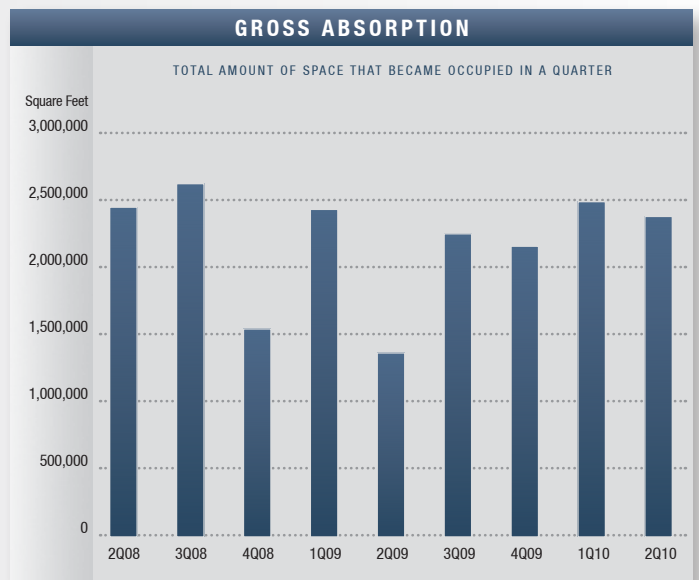
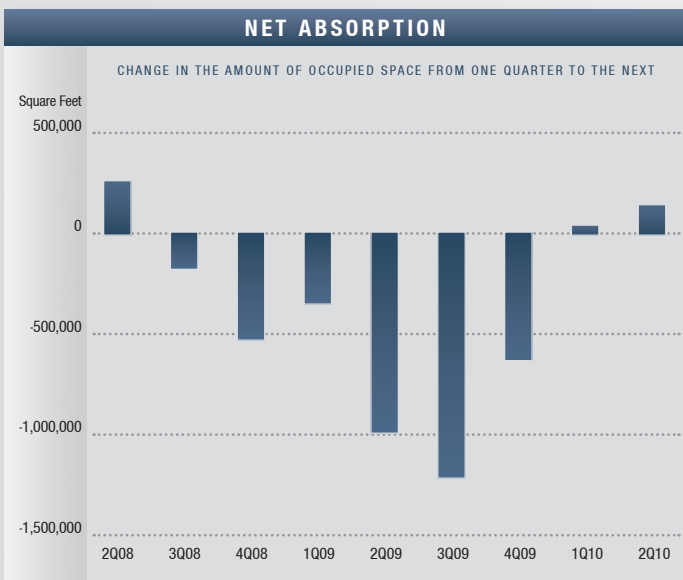
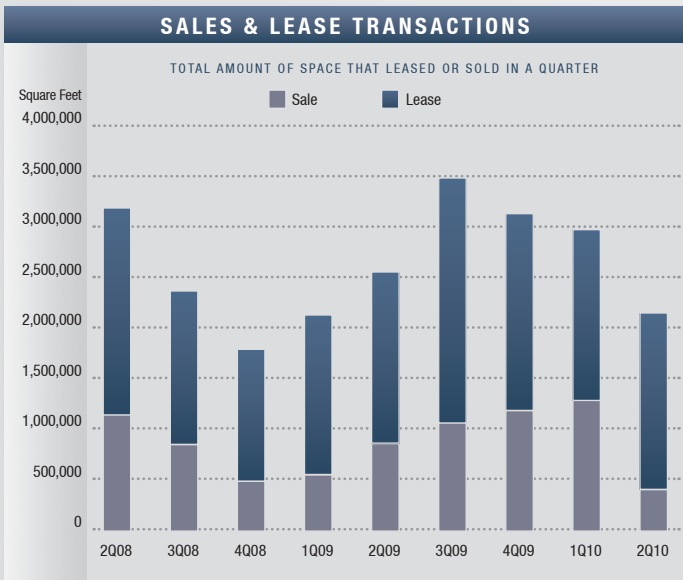
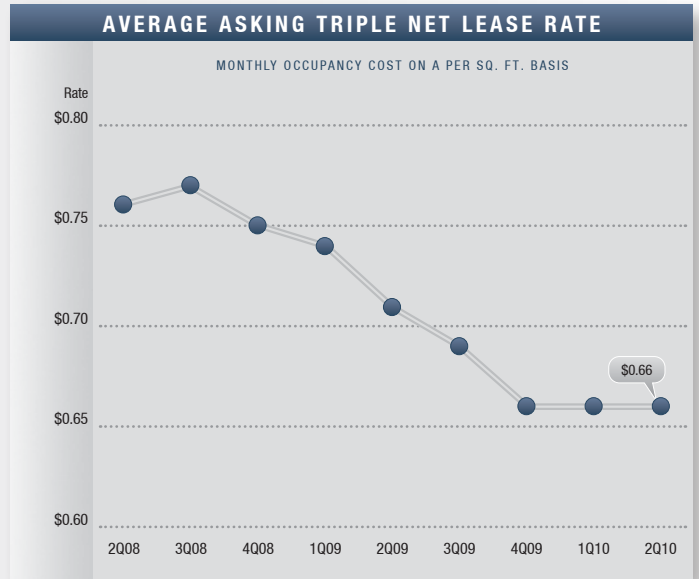
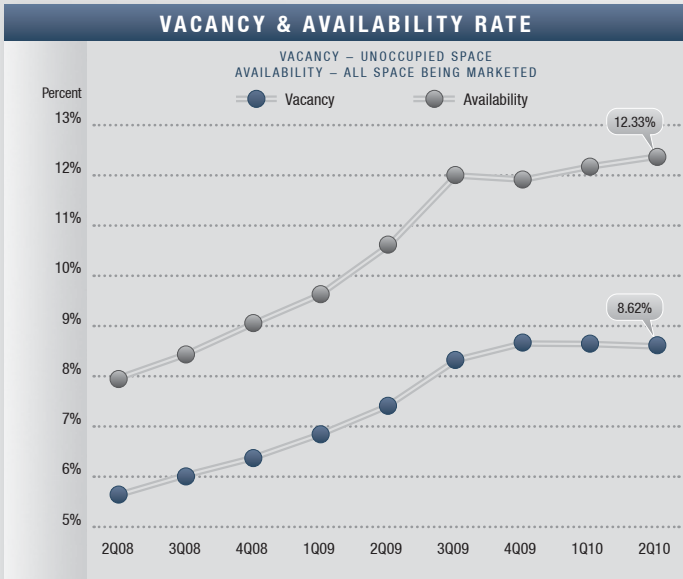
VOIT Real Estate Services – Lic.#01333376

e-mail: jholdner@voitco.com



INDUSTRIAL MARKET OVERVIEW

	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Vacancy Rate	8.62%	8.66%	7.44%	15.86%
Availability Rate	12.33%	12.21%	10.70%	15.23%
Average Asking Lease Rate	\$0.66	\$0.66	\$0.74	(10.81%)
Sale & Lease Transactions	2,131,337	2,977,471	2,521,009	(15.46%)
Gross Absorption	2,373,259	2,492,676	1,353,759	75.31%
Net Absorption	136,794	33,048	(987,580)	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2010	Total Availability 2Q2010	Availability Rate 2Q2010	Average Asking Lease Rate	Net Absorption 2Q2010	Net Absorption 2010	Gross Absorption 2Q2010	Gross Absorption 2010
Central													
Central City	203	3,240,746	0	0	245,296	7.57%	275,577	8.50%	\$0.70	(20,313)	(68,785)	12,807	39,330
East City	61	1,370,226	0	0	6,000	0.44%	16,000	1.17%	\$0.00	8,000	11,772	8,000	11,772
Southeast City	329	4,649,968	0	0	278,100	5.98%	365,626	7.86%	\$0.76	58,843	(11,224)	156,234	196,154
Central Total	593	9,260,940	0	0	529,396	5.72%	657,203	7.10%	\$0.75	46,530	(68,237)	177,041	247,256
Central Suburban													
Airport/Sports Arena	172	4,038,647	0	0	90,801	2.25%	181,461	4.49%	\$0.90	30,117	21,717	65,155	70,255
Kearny Mesa	471	11,784,862	0	0	419,804	3.56%	645,609	5.48%	\$1.06	(22,439)	(27,003)	80,940	149,141
Mission Gorge	132	2,253,650	0	0	168,973	7.50%	244,501	10.85%	\$0.95	48,391	30,225	88,082	100,660
Rose Canyon/Morena	145	3,513,136	0	0	222,517	6.33%	286,767	8.16%	\$0.81	(63,377)	(70,107)	20,286	29,122
Central Suburban Total	920	21,590,295	0	0	902,095	4.18%	1,358,338	6.29%	\$0.95	(7,308)	(45,168)	254,463	349,178
East County													
El Cajon	500	10,795,603	0	0	598,439	5.54%	855,816	7.93%	\$0.58	17,816	60,538	124,179	224,198
La Mesa/Spring Valley	332	3,448,678	0	0	199,440	5.78%	266,887	7.74%	\$1.08	24,339	49,248	45,296	98,065
Santee/Lakeside	297	4,015,879	0	200,000	183,018	4.56%	280,424	6.98%	\$1.40	(85)	26,999	35,317	86,709
East County Total	1,129	18,260,160	0	200,000	980,897	5.37%	1,403,127	7.68%	\$0.69	42,070	136,785	204,792	408,972
Highway 78 Corridor													
Oceanside	414	8,533,472	0	641,956	1,288,481	15.10%	1,483,338	17.38%	\$0.60	26,283	13,890	98,733	184,741
San Marcos	557	9,459,209	0	53,000	786,679	8.32%	1,018,058	10.76%	\$0.61	18,972	46,108	130,921	255,606
Vista/Fallbrook	518	12,575,977	0	231,590	1,040,320	8.27%	1,868,360	14.86%	\$0.68	53,592	9,214	174,622	357,999
Highway 78 Corridor Total	1,489	30,568,658	0	926,546	3,115,480	10.19%	4,369,756	14.29%	\$0.64	98,847	69,212	404,276	798,346
I-15 Corridor													
Escondido	733	8,278,583	0	86,500	537,171	6.49%	814,835	9.84%	\$0.78	24,260	75,873	96,622	230,753
Poway	179	7,381,359	0	355,400	479,073	6.49%	1,214,669	16.46%	\$0.76	33,609	51,002	126,956	184,278
Rancho Bernardo	57	4,219,487	0	0	441,988	10.47%	560,961	13.29%	\$0.79	(45,802)	(56,682)	66,024	90,394
Scripps Ranch	31	813,323	0	0	49,795	6.12%	110,146	13.54%	\$0.81	988	3,961	5,448	19,447
I-15 Corridor Total	1,000	20,692,752	0	441,900	1,508,027	7.29%	2,700,611	13.05%	\$0.77	13,055	74,154	295,050	524,872
North City													
Miramar	631	14,911,237	0	0	1,339,128	8.98%	2,295,803	15.40%	\$0.74	(108,274)	(47,620)	243,275	644,647
Sorrento Mesa	87	4,532,188	0	0	381,841	8.43%	598,727	13.21%	\$1.02	8,167	(35,658)	41,031	79,703
Sorrento Valley	53	1,058,482	0	0	64,103	6.06%	85,277	8.06%	\$1.10	(4,894)	(41,851)	5,544	10,534
Torrey Pines/UTC	16	541,475	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North City Total	787	21,043,382	0	0	1,785,072	8.48%	2,979,807	14.16%	\$0.80	(105,001)	(125,129)	289,850	734,884
North County													
Carlsbad	268	9,432,802	0	26,632	791,206	8.39%	1,235,563	13.10%	\$0.83	5,802	126,949	90,433	424,941
North Beach Cities	67	939,693	0	0	4,670	0.50%	26,427	2.81%	\$1.33	8,530	10,080	8,530	10,080
North County Total	335	10,372,495	0	26,632	795,876	7.67%	1,261,990	12.17%	\$0.85	14,332	137,029	98,963	435,021
Outlying Areas													
Outlying SD County North	118	1,235,030	0	0	24,947	2.02%	35,630	2.88%	\$0.83	5,057	12,932	12,307	20,173
Outlying SD County South	71	713,571	0	0	75,710	10.61%	85,594	12.00%	\$0.90	37,873	39,964	40,699	45,100
Outlying Areas Total	189	1,948,601	0	0	100,657	5.17%	121,224	6.22%	\$0.87	42,930	52,896	53,006	65,273
South Bay													
Chula Vista	373	10,660,828	0	20,000	701,262	6.58%	860,448	8.07%	\$0.56	104,045	(19,223)	233,412	437,750
National City	253	4,286,032	0	0	210,601	4.91%	271,994	6.35%	\$0.59	(59,338)	(99,093)	18,130	51,937
Otay Mesa	332	15,176,879	0	757,100	3,433,599	22.62%	4,143,612	27.30%	\$0.48	12,481	148,103	305,315	730,857
San Ysidro/Imperial Beach	73	1,822,005	0	24,121	224,662	12.33%	305,524	16.77%	\$0.53	(65,849)	(81,879)	38,961	81,589
South Bay Total	1,031	31,945,744	0	801,221	4,570,124	14.31%	5,581,578	17.47%	\$0.49	(8,661)	(52,092)	595,818	1,302,133
San Diego County Total	7,473	165,683,027	0	2,396,299	14,287,624	8.62%	20,433,634	12.33%	\$0.66	136,794	179,450	2,373,259	4,865,935

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

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Sale Price	Buyer	Seller
3738 Ruffin Rd.	Kearny Mesa	26,250	\$121.90	\$3,200,000	Peter & Ladene Aardema	The Harvey J. Lobelson Trust
3777 Ruffin Rd.	Kearny Mesa	15,840	\$198.30	\$3,141,000	The Olsson-Tapp Family Trust	Wylie Family Trust
5232 Lovelock St.	PB/Rose Canyon	31,000	\$100.97	\$3,130,000	Goodwill Industries of San Diego	Phyllis Ghio
415 W. 30th St.	National City	7,100	\$313.38	\$2,225,000	RW Little Company, Inc.	Hertz Equipment Rental
6980 Calle De Linea	Otay Mesa	4,450	\$460.67	\$2,050,000	RKNA Property	YRC, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
655 Gateway Center Wy.	Southeast	86,254	May-10	BAE Systems	JTF Enterprises
2360 Boswell Rd.	Chula Vista	78,350	April-10	TAP Automotive Holdings	Adaya Asset Boswell E & W
7594-7596 Trade St.	Miramar	73,467	April-10	RW Smith & Company	Crest America
14100 Danielson St.	Poway	67,594	June-10	Nexus Biosystems	Crest Partners
7077 Consolidated Wy.	Miramar	55,200	June-10	Big Box Storage, Inc.	7077 Associates
7415 Carroll Rd.	Miramar	50,475	April-10	Arizona tile	HG Fenton

Product Type

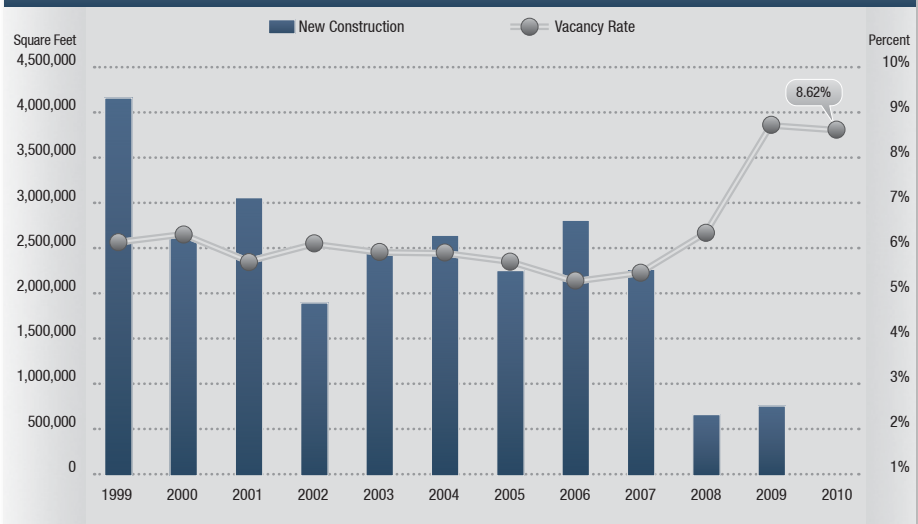
MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

To view available properties, please visit:

www.voitco.com

ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Irvine, CA
949.851.5100

Los Angeles, CA
818.593.6330

Newport Beach, CA
949.644.8648

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

Las Vegas, NV
702.734.4500

Phoenix, AZ
602.300.3648



Voit

REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



This survey consists of properties 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 Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.