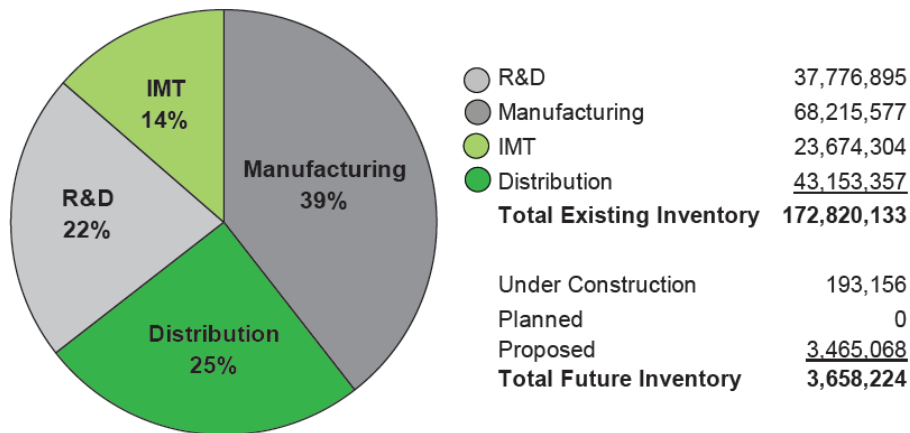


The current recession, which officially started in December of 2007, has affected every industry and every city. Which industrial submarkets in San Diego County have been affected the most and which are recovering the fastest? The answers can be found below.

The San Diego County industrial market<sup>1</sup> consists of 172,820,133 square feet of which 39 percent is manufacturing, 25 percent is distribution, 22 percent is research and development (R&D), and 14 percent is incubator multi-tenant (IMT) product type.

– Inventory Breakdown



Of the total 25 industrial submarkets countywide, seven are located in North County, 11 in Central County and seven in South County.

<sup>1</sup> Industrial Inventory includes multi-tenant, single tenant and owner-occupied buildings over 10,000 square feet, except in select submarkets where the competitive set requires the inclusion of similar buildings.

Looking at the size of the industrial submarkets countywide, the largest five submarkets are East County, Kearny Mesa, Miramar, Otay Mesa and Carlsbad. In the table below, industrial submarkets are listed from the largest (East County) to the smallest (Rose Canyon). The colors – light blue, dark blue and green – represent in which county (north, central or south) the submarket is located. The majority of the large submarkets are located in the Central County.

## Submarkets Ranked by Size

County	Submarket	Size of the Submarket in SF as of 2Q10
Central	East County	17,016,124
Central	Kearny Mesa	16,439,619
Central	Miramar	14,607,695
South	Otay Mesa	14,450,298
North	Carlsbad	14,263,248
North	Vista	13,229,278
Central	Sorrento Mesa	12,552,412
Central	Poway	8,879,376
North	Oceanside	8,546,677
North	San Marcos	7,761,955
North	Rancho Bernardo	7,675,805
South	Downtown	6,228,880
South	Chula Vista	5,499,807
North	Escondido	5,383,130
Central	Sorrento Valley	3,331,446
Central	Mission Valley	2,295,523
South	National City	2,272,760
North	Carmel Mountain	2,019,496
Central	Torrey Pines	1,784,589
South	Sports Arena	1,706,863
Central	Scripps	1,534,633
Central	Morena	1,484,611
South	San Ysidro	1,347,355
South	South City	1,264,685
Central	Rose Canyon	1,243,868
<b>Countywide</b>	<b>Countywide</b>	<b>172,820,133</b>

## Comparing 2Q07 vs. 2Q10 – Three Years

Between the second quarter of 2007 and the second quarter of 2010, none of the 25 industrial submarkets countywide have recorded a decrease in direct vacancy rate. Submarkets that have recorded the largest increase in vacancy rate over the last three years are Rose Canyon, Carmel Mountain, Morena, Scripps, and Torrey Pines. Countywide, direct vacancy rate has increased 3.2 percentage points over the last three years to 10.4 percent recorded in the second quarter of 2010.

## Decrease in Direct Vacancy Rate by Submarket 2Q10 vs. 2Q07

County	Submarket	Size of the Submarket in SF as of 2Q10	2Q07	2Q10	2Q10 vs. 2Q07
North	Carlsbad	14,263,248	12.7%	12.9%	0.2%
South	San Ysidro	1,347,355	9.1%	9.3%	0.2%
South	Otay Mesa	14,450,298	19.8%	20.1%	0.3%
South	South City	1,264,685	0.0%	0.6%	0.6%
South	Downtown	6,228,880	5.4%	6.2%	0.8%
Central	Mission Valley	2,295,523	5.0%	5.8%	0.8%
South	National City	2,272,760	5.9%	6.9%	1.0%
North	Oceanside	8,546,677	13.6%	15.0%	1.4%
South	Sports Arena	1,706,863	1.7%	4.5%	2.8%
North	San Marcos	7,761,955	4.1%	7.1%	3.0%
Central	East County	17,016,124	3.5%	6.6%	3.1%
Central	Sorrento Mesa	12,552,412	6.9%	10.1%	3.2%
North	Escondido	5,383,130	3.4%	7.0%	3.6%
North	Vista	13,229,278	6.7%	10.7%	4.0%
Central	Poway	8,879,376	6.2%	10.4%	4.2%
Central	Miramar	14,607,695	5.1%	9.7%	4.6%
Central	Kearny Mesa	16,439,619	2.5%	7.3%	4.8%
South	Chula Vista	5,499,807	6.6%	11.4%	4.8%
Central	Sorrento Valley	3,331,446	6.1%	11.0%	4.9%
North	Rancho Bernardo	7,675,805	4.5%	11.8%	7.3%
Central	Torrey Pines	1,784,589	2.3%	9.8%	7.5%
Central	Scripps	1,534,633	7.4%	15.1%	7.7%
Central	Morena	1,484,611	0.6%	8.7%	8.1%
North	Carmel Mountain	2,019,496	7.5%	16.1%	8.6%
Central	Rose Canyon	1,243,868	0.9%	10.3%	9.4%
<b>Countywide</b>	<b>Countywide</b>	<b>172,820,133</b>	<b>7.2%</b>	<b>10.4%</b>	<b>3.2%</b>

## Comparing 2Q09 vs. 2Q10 – One Year

Between the second quarter of 2009 and the second quarter of 2010, the largest decrease in direct vacancy rate countywide was recorded in East County, Mission Valley, Sorrento Mesa, Escondido and Torrey Pines. Looking at the major submarkets that are larger than 10 million square feet, direct vacancy rate decreased the most from the last year in East County, Sorrento Mesa, and Carlsbad. Countywide, direct vacancy rate has increased 100 basis points from a year ago to 10.4 percent recorded in the second quarter of 2010.

## Decrease in Direct Vacancy Rate by Submarket 2Q10 vs. 2Q09

County	Submarket	Size of the Submarket in SF as of 2Q10	2Q09	2Q10	2Q10 vs. 2Q09
Central	East County	17,016,124	9.3%	6.6%	-2.7%
Central	Mission Valley	2,295,523	7.0%	5.8%	-1.2%
Central	Sorrento Mesa	12,552,412	11.3%	10.1%	-1.2%
North	Escondido	5,383,130	8.2%	7.0%	-1.2%
Central	Torrey Pines	1,784,589	10.7%	9.8%	-0.9%
North	San Marcos	7,761,955	7.7%	7.1%	-0.6%
North	Carlsbad	14,263,248	13.2%	12.9%	-0.3%
South	Sports Arena	1,706,863	4.8%	4.5%	-0.3%
Central	Miramar	14,607,695	9.2%	9.7%	0.5%
South	South City	1,264,685	0.0%	0.6%	0.6%
South	Downtown	6,228,880	5.0%	6.2%	1.2%
North	Oceanside	8,546,677	13.7%	15.0%	1.3%
South	San Ysidro	1,347,355	7.9%	9.3%	1.4%
Central	Sorrento Valley	3,331,446	9.5%	11.0%	1.5%
Central	Poway	8,879,376	8.5%	10.4%	1.9%
South	Chula Vista	5,499,807	9.4%	11.4%	2.0%
South	Otay Mesa	14,450,298	17.9%	20.1%	2.2%
North	Rancho Bernardo	7,675,805	9.1%	11.8%	2.7%
North	Vista	13,229,278	7.9%	10.7%	2.8%
Central	Rose Canyon	1,243,868	7.1%	10.3%	3.2%
Central	Kearny Mesa	16,439,619	3.7%	7.3%	3.6%
North	Carmel Mountain	2,019,496	12.3%	16.1%	3.8%
South	National City	2,272,760	1.9%	6.9%	5.0%
Central	Scripps	1,534,633	9.8%	15.1%	5.3%
Central	Morena	1,484,611	3.4%	8.7%	5.3%
<b>Countywide</b>	<b>Countywide</b>	<b>172,820,133</b>	<b>9.4%</b>	<b>10.4%</b>	<b>1.0%</b>

## Comparing 1Q10 vs. 2Q10 – One Quarter

Between the first quarter of 2010 and the second quarter of 2010, the largest decrease in direct vacancy rate countywide was recorded in Rancho Bernardo, Sorrento Valley, Mission Valley and Sports Arena submarkets. Looking at the major submarkets that are larger than 10 million square feet, direct vacancy rate decreased the most from the first quarter in Otay Mesa and Sorrento Mesa. Countywide, direct vacancy rate has decreased 20 basis points from the first quarter of 2010 to 10.4 percent recorded in the second quarter of 2010.

## Decrease in Direct Vacancy Rate by Submarket 2Q10 vs. 1Q10

County	Submarket	Size of the Submarket in SF as of 2Q10	1Q10	2Q10	2Q10 vs. 1Q10
North	Rancho Bernardo	7,675,805	15.4%	11.8%	-3.6%
Central	Sorrento Valley	3,331,446	14.2%	11.0%	-3.2%
Central	Mission Valley	2,295,523	8.7%	5.8%	-2.9%
South	Sports Arena	1,706,863	6.9%	4.5%	-2.4%
Central	Torrey Pines	1,784,589	12.2%	9.8%	-2.4%
North	Escondido	5,383,130	8.7%	7.0%	-1.7%
South	Otay Mesa	14,450,298	21.6%	20.1%	-1.5%
Central	Sorrento Mesa	12,552,412	11.4%	10.1%	-1.3%
South	National City	2,272,760	8.1%	6.9%	-1.2%
South	San Ysidro	1,347,355	10.4%	9.3%	-1.1%
Central	Scripps	1,534,633	16.1%	15.1%	-1.0%
Central	East County	17,016,124	7.4%	6.6%	-0.8%
North	Oceanside	8,546,677	15.6%	15.0%	-0.6%
South	South City	1,264,685	0.7%	0.6%	-0.1%
Central	Poway	8,879,376	10.4%	10.4%	0.0%
South	Chula Vista	5,499,807	11.4%	11.4%	0.0%
South	Downtown	6,228,880	6.0%	6.2%	0.2%
North	Carlsbad	14,263,248	12.2%	12.9%	0.7%
Central	Miramar	14,607,695	8.9%	9.7%	0.8%
North	San Marcos	7,761,955	6.2%	7.1%	0.9%
Central	Rose Canyon	1,243,868	9.3%	10.3%	1.0%
Central	Kearny Mesa	16,439,619	6.1%	7.3%	1.2%
North	Vista	13,229,278	8.2%	10.7%	2.5%
North	Carmel Mountain	2,019,496	13.4%	16.1%	2.7%
Central	Morena	1,484,611	3.6%	8.7%	5.1%
<b>Countywide</b>	<b>Countywide</b>	<b>172,820,133</b>	<b>10.6%</b>	<b>10.4%</b>	<b>-0.2%</b>

## CONCLUSION

- Between the second quarter of 2007 and the second quarter of 2010, none of the 25 submarkets countywide have recorded a decrease in direct vacancy rate. Submarkets that have recorded the largest increase in vacancy rate over the last three years are Rose Canyon, Carmel Mountain, Morena, Scripps, and Torrey Pines. Countywide, direct vacancy rate has increased 3.2 percentage points over the last three years to 10.4 percent recorded in the second quarter of 2010.
- However, in the last 12 months (2Q09 vs. 2Q10), eight of 25 industrial submarkets countywide have recorded a decrease in vacancy rates.
- In the last three months (1Q10 vs. 2Q10), 14 of 25 industrial submarkets countywide have recorded a decrease in vacancy rates confirming that the San Diego industrial market is headed in the right direction.
- There is no doubt that the industrial market fundamentals have been shaken over the last three years and the recovery will be slow and gradual over the next couple of years before reaching equilibrium in the industrial leasing market.