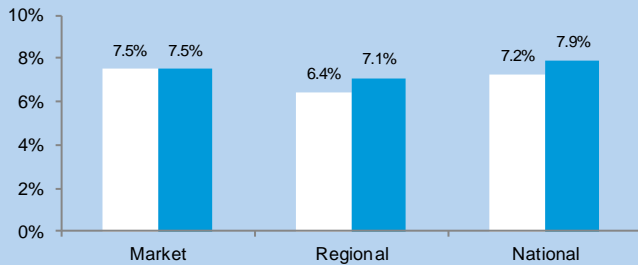


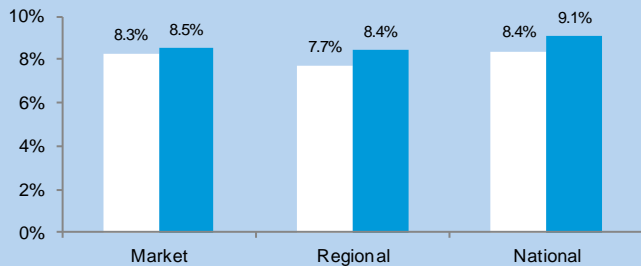


### Industrial Snapshot

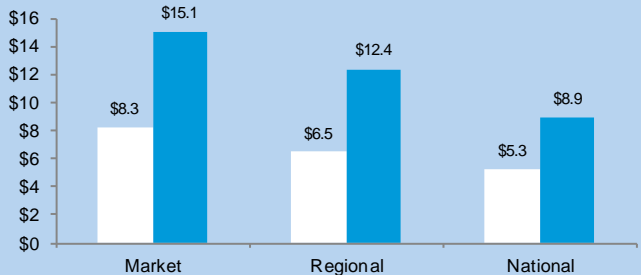
#### GOING IN CAP RATES (%)



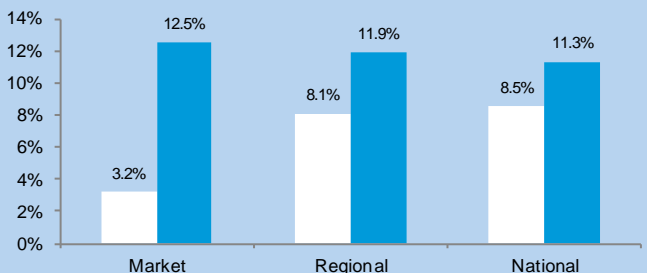
#### DISCOUNT RATES (%)



#### MARKET RENT (\$/SF)



#### VACANCY RATE (%)



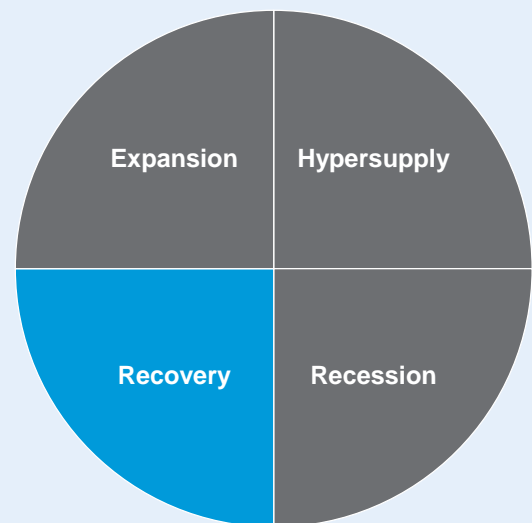
#### Legend

- Industrial Class A
- Flex Industrial

### Market Commentary

Industrial is in a period of stabilization, but has not reached the expansion stage as have other property types in San Diego (retail, multi-family, etc.). That said, vacancy for industrial and flex product continues to decrease, which will result in landlords increasing rental rates for available property. Overall, the outlook is positive, but the industrial market still needs time in order to fully recover and for development to resume.

#### MARKET CYCLE



#### Market Cycle: Recovery Stage 3

- Decreasing vacancy rates
- Low new construction
- Moderate absorption
- Low/moderate employment growth
- Neg/low rental rate growth



# 2014 MID-YEAR VIEWPOINT

San Diego, CA | Industrial

## SAN DIEGO FORECASTS

Categories	Industrial Class A	Flex Industrial
Going In Cap Rate	Remain Steady - no change	Decrease 1-24 bps
Discount Rate	Remain Steady - no change	Decrease 25-49 bps
Market Rent Change (%)	2.00%	3.00%
Expense Change (%)	3.00%	3.00%
Absorption (SF)	50,000	500,000
Construction (SF)	1,000,000	
Tenant Improvement (\$/SF)	\$5	\$5
Years to Balance	In Balance	In Balance

## CHANGE IN VALUE

Time	Industrial Class A	Flex Industrial
Previous 36 Months	Increase 4%+	Decrease .1% - 1.9%
Previous 12 Months	Increase .1% - 1.9%	Increase 4%+
Future 12 Months	Increase .1% - 1.9%	Increase .1% - 1.9%
Future 36 Months	Increase .1% - 1.9%	Increase .1% - 1.9%

## TOP SEVEN CAP RATE FACTORS

- 1 Supply/demand
- 2 Property income growth
- 3 Risk premium of private real estate
- 4 Local economy, job growth, unemployment
- 5 National economic conditions/GDP growth
- 6 Interest rates
- 7 Availability of financing

## About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 200 MAI-designated members of the of the Appraisal Institute among over 900 professions based in our 66 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

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