

SAN MARCOS

AT A GLANCE



OVERVIEW

The San Marcos industrial market positive absorption was 36,664 square feet and the quarter ended with a vacancy rate of 6.9%. This is the second best in North County following only Escondido at 6.5%. The positive absorption was on par with some of the best quarters in the last three years and now San Marcos has posted three consecutive quarters of net absorption which it hasn't done since the recession started.

ACTIVITY

Industrial building sale activity was light with just one sale closing in the quarter. Metro Western Sign & Awnings purchased a 24,128 square foot distressed property with an outside yard area at 261 South Pacific Street from the Small Business Administration.

Leasing activity consisted of 3 leases between 13,000 and 25,000 square feet the largest of which was a renewal. Leasing velocity is up with several transactions in the market that should close in the next 30-60 days.

FORECAST

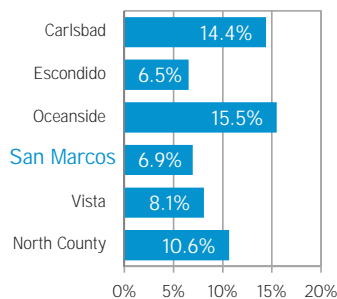
We expect to see a continued reduction in supply in the market as space is taken down and no new product is added to the market. Activity in all product types including multi-tenant, manufacturing and warehouse distribution is up significantly. As the economy continues to improve the nascent recovery should benefit owners of industrial property in this core market.

MARKET INDICATORS

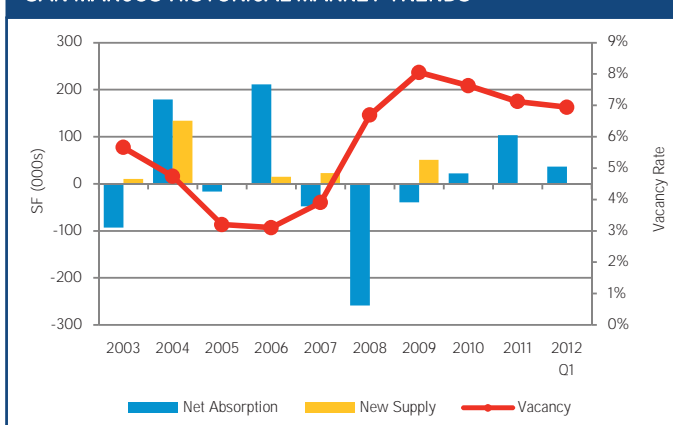
	Q1 2012	Q2 2012 (forecast)
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	→	→
RENTAL RATE	→	→
LEASE CONCESSIONS	→	→

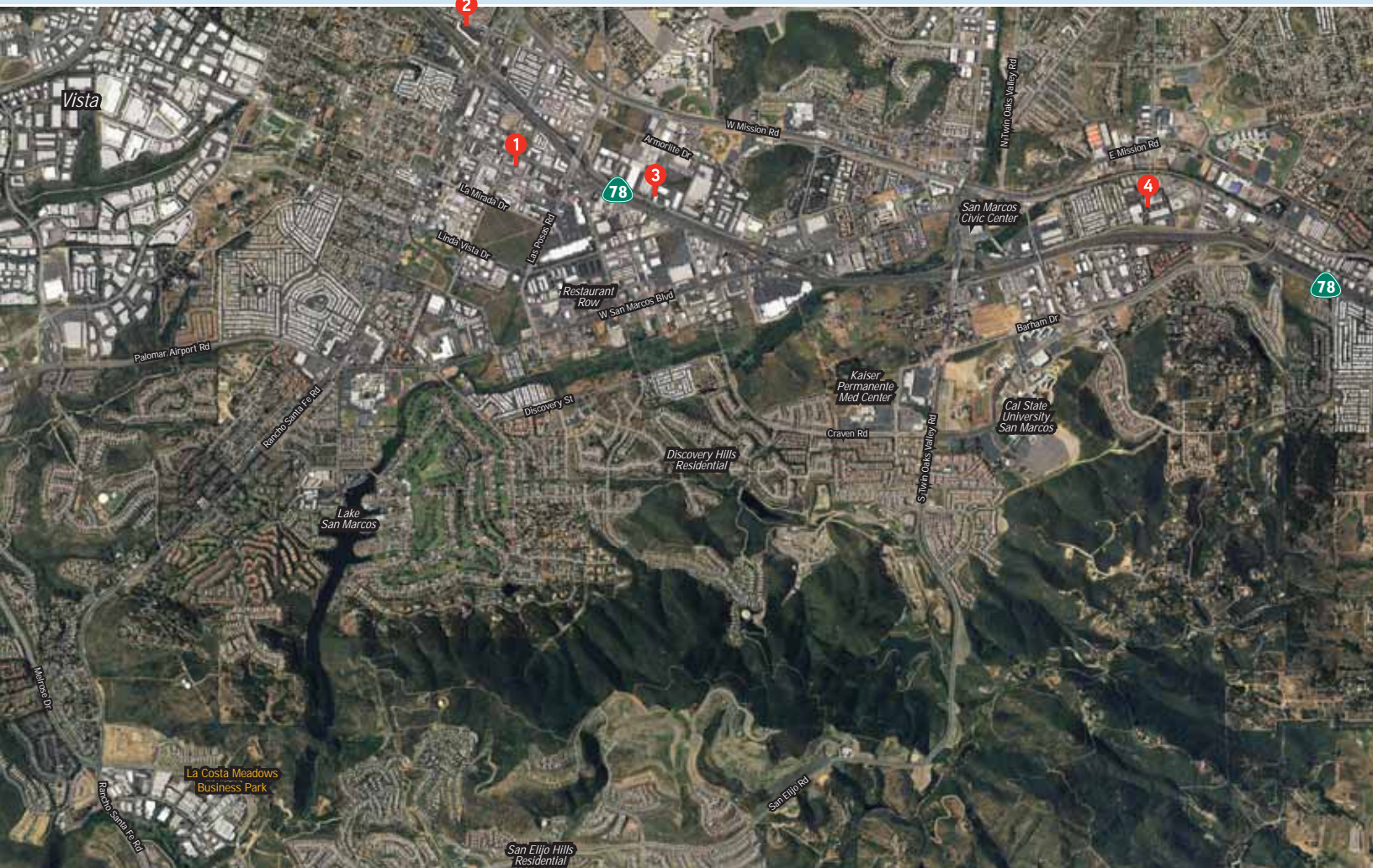
INDUSTRIAL/R&D VACANCY RATES

Q1 2012



SAN MARCOS HISTORICAL MARKET TRENDS





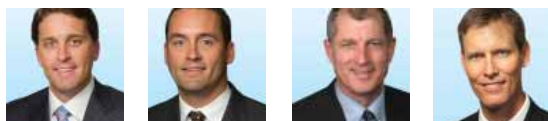
TRANSACTION ACTIVITY - Q1 2012

SALES ACTIVITY

#	PROPERTY NAME/ADDRESS	BUYER TYPE	SIZE (SF)	SALE PRICE	PRICE/SF
1	261 South Pacific Street	Metro Western Sign	24,128	\$1,550,000	\$64.24

LEASING ACTIVITY

#	PROPERTY NAME/ADDRESS	TENANT NAME	SIZE (SF)	TERM	EFF RATE/SF
2	170 Bosstick Blvd	Proformance Apparel	12,816	36 months	\$0.62 GRS
3	970 Los Vallecitos	Mountain Shadows	19,544	63 months	\$0.77 GRS
4	155 Mata Way	Astro Converters	24,814	60 months	\$0.64 NNN



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