



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Jerry Backoff, Planning Division Director, City of San Marcos

From: KEYSER MARSTON ASSOCIATES, INC.

cc: Garth Koller, Principal Planner, City of San Marcos

Date: July 23, 2010

Subject: City of San Marcos – Industrial Market Assessment

ADVISORS IN:

REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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Keyser Marston Associates, Inc. (KMA) has undertaken an industrial market assessment for the City of San Marcos (City). The City is in the process of updating its General Plan and has requested that KMA provide an assessment of the City's industrial market and the potential for various types of industrial uses given its existing inventory and position within the North County region.

In preparing this market assessment, KMA undertook the following work tasks:

- Kick-off meeting with City staff.
- Review of background information such as resource documents, maps, and relevant plans.
- Tours of the City and surrounding environs.
- Review of key market factors related to inventory, vacancy, and value indicators for the City's industrial market as compared to surrounding North County cities.
- Identified key opportunities and constraints affecting industrial development within the City over the 20-year planning horizon.

A. Industrial Market Conditions

The national residential market downturn and loss of employment has had a direct effect on the industrial market in San Diego. While the residential downturn was likely the initial cause of the decrease in demand for industrial space, the recession that followed was a major contributing factor for record-setting vacancies and low rents in industrial space as many businesses downsized or shut their doors permanently. The pace of real

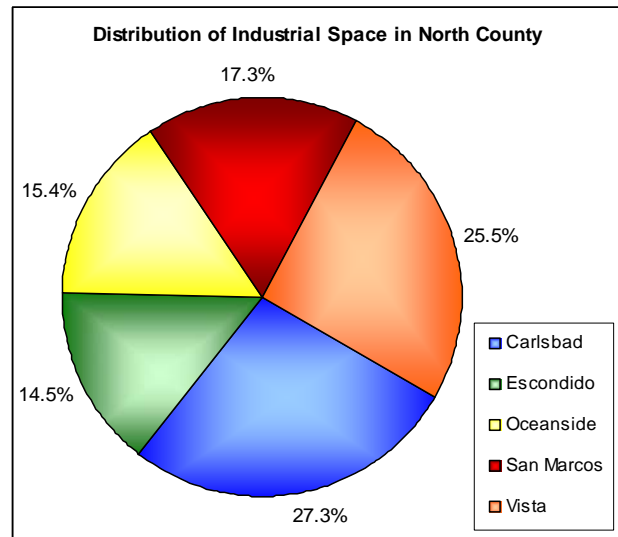
estate construction slowed dramatically in 2009, due to weak demand and tightened credit markets which made construction financing difficult.

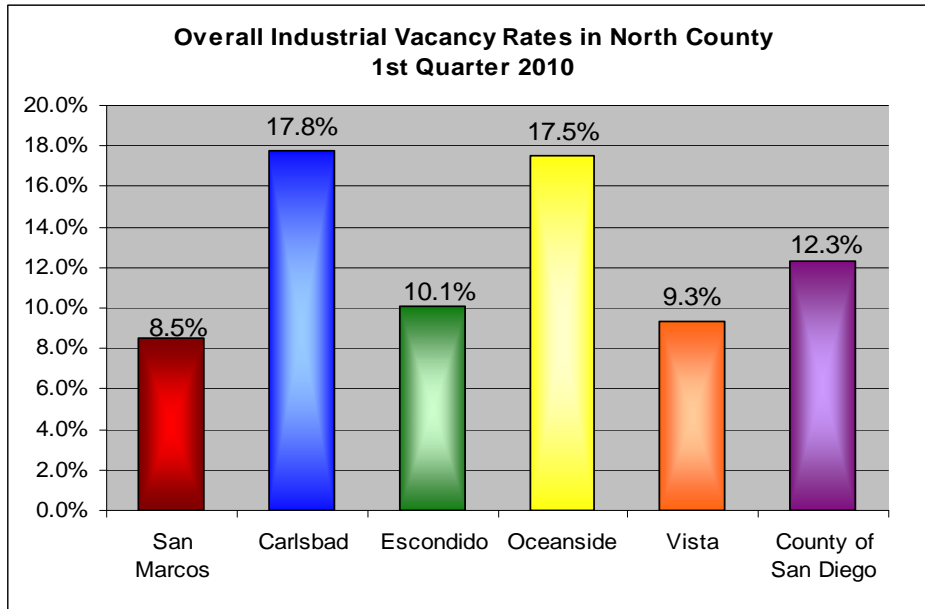
The ability to foster and attract economically desirable growth is influenced by the availability and accessibility of land for employment, i.e., commercial and industrial land. The City is primarily a bedroom community meaning that the majority of residents leave the City of San Marcos for jobs in neighboring jurisdictions. The City is hindered in attracting new employment uses as it is largely built-out, however, the City has several large employment generators that own vacant land for expansion of their facilities.

The balance of this section reviews the key market indicators for the industrial land use.

General Industrial

- San Diego County has a total inventory of 191 million square feet (SF) of industrial space, mostly made up of light industrial inventory. The Kearny Mesa submarket is the largest submarket in the County, followed by the Sorrento Mesa, Miramar, and South Bay submarkets.
- Of the five North County cities, San Marcos is the third largest in terms of industrial space (17.3%).
- According to CB Richard Ellis, there were few industrial construction developments in the first half of 2009, totaling approximately 777,000 SF. Since then, the only industrial construction delivered in the County is from the City of Vista Commerce Center. The 121,000-SF Commerce Center was completed in the 1st quarter of 2010 and there are no new industrial developments anticipated at this time.
- The City of San Marcos represents 4.7% of the County's overall industrial inventory and yields the lowest industrial vacancy rate of the five North County cities that KMA surveyed (Cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista).





- As of 1st quarter 2010, the County contains an overall vacancy rate of 12.3% and an average lease rate of \$0.87 per SF.
- The City of San Marcos is equal to Vista with an average asking lease rate of \$0.68 per SF. Of the cities surveyed, Carlsbad yields the highest asking lease rate of \$1.00 per SF.
- Since 2000, the City of San Marcos has had a total of 151 industrial building sales containing a total dollar volume of \$403 million, with a median of \$91 per SF of building.
- KMA's survey of manufacturing and warehouse industrial building sales throughout North County finds a median value of \$107 per SF of building, with an average year built of 1989.
- Since 2000, the City of San Marcos has had a total of 36 industrial land sales totaling 214 acres of land, with a median of \$9 per SF of land.
- The majority of the City's existing industrial and manufacturing uses are generally located along Highway 78 from Nordahl Marketplace (at Nordahl Road) to San Marcos Boulevard.

- KMA surveyed industrial land sales throughout North County. The survey found that the majority of land sales occurred in the City of Oceanside. Collectively, the North County industrial land sales contained a median value of \$13.71 per SF of land.
- Since 2008, there have been two land sales proposed for industrial development in the City of San Marcos. These sales are summarized as follows:

Exhibit 1: Summary of Land Sales in San Marcos, 2008 to Present					
Sale Date	Site Address	Sales Price	Acres	\$/SF Land	Proposed Use
03/06/09	East side of N. Twin Oaks Valley Rd. (N. of E. Mission Rd.)	\$1,725,000	2.14	\$18.50	32,000-SF flex building
07/30/08	NWC Mulberry Dr. and E. Mission Rd.	\$230,000	0.50	\$10.56	Use unknown

Source: CoStar Comps, Inc.

Two other industrial land sales have occurred along East Barham Drive, south of Highway 78 as part of the University Village proposed development adjacent to California State University San Marcos. The “urban village” development is envisioned to include a mix of housing opportunities for university faculty members and students, retail, office, hospitality, and conference facilities.

Research & Development / Business Park

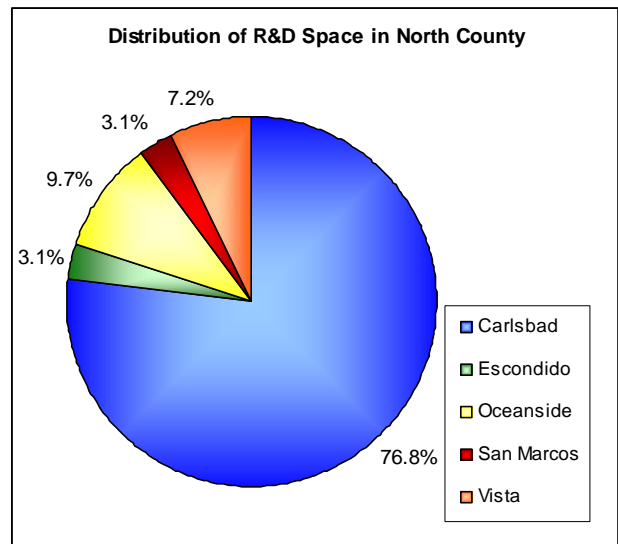
- Although the majority of the County’s industrial inventory is made up of light industrial development, corporate headquarters space is the next largest occupier of industrial space and also yields the highest average asking lease rate. Multi-tenant Research and Development space yields the next highest asking lease rates.

Exhibit 2: Distribution of Industrial Space, San Diego County (1)			
Industrial Space	Rentable Area (SF) (millions)	Vacancy Rate	Average Asking Lease Rate
Corporate HQ	49.7	12.0%	\$1.32
Multi-Tenant R&D	7.3	16.5%	\$1.00
Multi-Tenant Industrial	26.6	10.9%	\$0.83
PID/Condo/Other	6.0	11.6%	\$0.83
Light Industrial	63.4	7.6%	\$0.75
Warehouse	39.2	15.6%	\$0.62

(1) As of 1st quarter 2010. Includes Southwest Riverside County.
 Source: CB Richard Ellis

- Approximately 29% of the County's industrial inventory is designated as Research and Development (R&D) type use.
- As of 1st quarter 2010, the County contained an overall vacancy rate of 15% and an average lease rate of \$1.28 per SF.
- Currently, there is no new R&D development under construction within the County.

- The City of Carlsbad contains the largest R&D inventory (77%) of the North County cities submarket, or 12% of the County's overall R&D inventory. While Carlsbad yields the highest asking lease rate (\$1.15 per SF) within the North County cities, there are several submarkets throughout the County that achieve significantly higher asking lease rates.



- The City of San Marcos and the City of Escondido share minimal amounts, less than one percent, of R&D space County-wide, or 3% of the North County submarkets inventory. The City of Escondido City Council is currently deliberating the relocation of its City public works yard to make way for a development of a conceptual technology park on 18 acres, which could add a significant amount of R&D space. The public works yard is located at Interstate 15 and Highway 78 and is in proximity to the Sprinter station.

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- R&D/business park product is nominal in the City of San Marcos. According to Cushman & Wakefield, the City's R&D inventory is approximately 268,000 SF, or 3% of the City's total industrial inventory.
- KMA's survey of R&D building sales throughout North County finds a median value of \$108 per SF of building, with an average year built of 2000.

B. Opportunities and Constraints Analysis

Opportunities	Constraints
<ul style="list-style-type: none">Existing industrial areas are already strategically located along the Highway 78 corridor with good exposure and accessibility to both Interstates 5 and 15.Industrial vacancy rates are low and lease rates are viable for the target industrial businesses looking to locate in San Marcos.Existing and proposed educational and medical facilities can be potential tenants or owner-users of R&D / business park space.The Sprinter rail line provides great mobility.With the increase in housing units from the San Elijo Hills master-planned community, employment can assist in maintaining a healthy jobs-housing ratio within the City.Provides local residents with jobs in close proximity.Large portions of the City are located within a Redevelopment Project Area which may be of benefit to developers seeking development or financial incentives from the Redevelopment Agency.There is limited supply of available employment lands in the City of San Marcos; as such, the City should pursue retaining employment acreage.Based on SANDAG's available employment acreage analysis, in the long-term San Marcos may be able to supplement jobs that cannot be accommodated in adjacent cities.With dwindling land supply, business park development can soften the landscape between residential and industrial uses.	<ul style="list-style-type: none">The City is not an established industrial employment center within North County.Strong competition from existing business parks (office and industrial space) in Carlsbad.There is limited supply of entitled and available employment land in the City of San Marcos.

C. Conclusion

The City has experienced several significant changes in the past 20 years since the last update, which is forcing the City to re-evaluate the future needs of the population. As part of the General Plan update, the City has identified areas of the City (Focus Areas) where changes in land use are likely to occur over the next 20 years (the planning horizon).

Exhibit 3 below summarizes the distribution of industrial land acreage as indicated in the existing General Plan.

Exhibit 3: Existing Industrial Land Use Designations			
Land Use Designations by Area	Existing Designated Acres	(Less) Acres Unlikely to be Developed	Net Existing Designated Acres
Manufacturing			
Study Area 1	41.0	0.0	41.0
Study Area 2	32.1	0.0	32.1
Study Area 3	0.0	0.0	0.0
Outside of Study Areas	274.6	(61.0)	213.7
Heart of City Specific	<u>2.2</u>	<u>0.0</u>	<u>2.2</u>
Total Manufacturing	349.8	(61.0)	288.9
Light Industrial			
Study Area 1	11.7	0.0	11.7
Study Area 2	0.0	0.0	0.0
Study Area 3	39.4	0.0	39.4
Outside of Study Areas	0.0	0.0	0.0
Heart of City Specific	<u>1.8</u>	<u>0.0</u>	<u>1.8</u>
Total Light Industrial	52.9	0.0	52.9
Business Park (Heart of City)	15.1	0.0	15.1
Total - Citywide	417.8	(61.0)	356.8

According to SANDAG's recent 2009 Employment and Residential Land Inventory and Land Analysis, there are 2,040 acres of Immediately Available (could be developed within one year) acres of employment land in San Diego County and nearly 60% of that land is in just four Planning Areas: Otay (391 acres or 19.2%); Carlsbad (389 acres or 19.1%); Otay Mesa (343 acres or 16.8%); and Oceanside (169 acres or 8.2%).

Exhibit 4 below illustrates the amount of Immediately Available acres for each of the North County cities. Based on the amount of Immediately Available acreage, in the short-term, San Marcos has the least amount of available acreage with only 7% of the total inventory in the North County submarket. Carlsbad has the largest share at 51%.

Exhibit 4: Immediately Available Employment Land by North County City						
City	San Marcos	Carlsbad	Escondido	Oceanside	Vista	Total
Immediately Available Acres (1)	53.9	389.1	78.3	169.3	70.6	761.2
% of Immediate Available Acres	7.1%	51.1%	10.3%	22.2%	9.3%	100.0%
(1) Includes short-term available acreage.						

Based on the absorption trend for the North County submarket, the last 9 years added an average of 369,000 SF of industrial space per year, or an average of 42 acres per year. Assuming that San Marcos captured its share based on its current market base of 17% of the North County industrial submarket, this would equate to approximately 7 acres per year. At that rate, San Marcos would run out of Immediately Available employment land in approximately 7 to 8 years.

In addition to the Immediately Available employment acres, SANDAG also identified Long-Term Available employment acres that had no entitlement or improvements but could be developed in three or more years. As shown in Exhibit 5, San Marcos has the largest inventory at 338 acres, or 46% of the total North County submarket, with Carlsbad having the smallest at 65 acres (9% of the total). For long-term planning, this would indicate that once Carlsbad absorbs its Immediate Available acres, San Marcos would be a logical market for growth as inventory of employment land remains available.

Exhibit 5: Long-Term Available Employment Land by North County City						
City	San Marcos	Carlsbad	Escondido	Oceanside	Vista	Total
Long-Term Available Acres	337.5	65	70.5	169.8	89.6	732.4
% of Long Term Available Acres	46.1%	8.9%	9.6%	23.2%	12.2%	100.0%

D. Business Park Characteristics

Business parks tend to offer a wide-variety of flex space, light industrial, and office space to meet the needs of a range of occupiers. Business parks are generally defined as a multi-building development that accommodates a range of uses from light industrial to office space in an integrated park-like setting with supporting uses and amenities to serve the employment population. According to the Urban Land Institute’s Business Park and Industrial Development Handbook, business parks are generally classified as containing the following characteristics:

- *Flexible master plan* – flexible parcel layouts to be subdivided or combined based on market demand, efficient road system that provides vehicular access to all portions of the site, and utility systems that can be easily upgraded or modified

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- *Attractive landscaping and public spaces* – landscaping plan that provides park-like areas, gathering spots, and visibly appealing landscaping
- *On-site amenities and services* – amenities that serve the employment population such as eating and drinking and professional and business services that can survive exclusively on the demand from daytime population
- *Flexible building design* – flexible and functional building layouts that can be subdivided or merged to meet the changing market
- *Appropriate parking* – ample parking to serve the needs for a range of users
- *Efficient circulation* – a variation of vehicular and pedestrian traffic needs should be accommodated, i.e., trucks, automobiles, and pedestrians

The following provides examples of business parks in suburban communities throughout San Diego and Riverside Counties.

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**Spectrum Business Park Campus
San Diego, CA**

Project Description: Mixed-Use development consisting of industrial, light industrial, R&D, office, hotel, and residential. Located off of Highway 163 and Kearny Villa Road in the Kearny Mesa submarket.

Range of Floor Area Ratio (FAR): 0.14 to 0.72



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**Meridian Business Center
Riverside County, CA (formerly part of March Air Force Base)**

Project Description: Mixed-Use development consisting of industrial, light industrial, R&D, and office. Located off of Interstate 215 and Alessandro Boulevard in Riverside County.

Range of FAR: 0.35 to 0.55



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Riverview at Santee – Phase I
Santee, CA

Project Description: Mixed-Use development consisting of R&D, office, and office condominiums. Phase 2 will incorporate a movie theatre and residential uses. Located off of State Route 52 at Mission Gorge Road and Civic Center Road.

Range of FAR: 0.21 to 0.37



E. Limiting Conditions

- Keyser Marston Associates, Inc. (KMA) has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, and other third parties. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties. Further, no guarantee is made as to the possible effect on development of current or future federal, state, or local legislation including environmental or ecological matters.
- The accompanying projections and analyses are based on estimates and assumptions which were developed using currently available economic data, project specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.
- The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
- Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
- The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

attachments

General Industrial Market Conditions

Industrial Market Assessment City of San Marcos

TABLE 1

INDUSTRIAL MARKET PROFILE, NORTH SAN DIEGO SUBMARKETS, 1ST QUARTER 2010
 INDUSTRIAL MARKET ASSESSMENT
 CITY OF SAN MARCOS

<u>Submarket</u>	<u>Total SF</u>	<u>As % of County</u>	<u>As % of North County Submarket</u>	<u>Overall Vacancy Rate</u>	<u>Under Construction</u>	<u>Average Asking Lease Rate</u>
Carlsbad	14,099,561	7.4%	27.3%	17.8%	0	\$1.01
Escondido	7,489,989	3.9%	14.5%	10.1%	0	\$0.72
Oceanside	7,951,599	4.2%	15.4%	17.5%	0	\$0.62
San Marcos	8,925,295	4.7%	17.3%	8.5%	0	\$0.68
Vista	13,157,122	6.9%	25.5%	9.3%	121,984	\$0.68
Subtotal, North County Submarket	51,623,566	27.0%	100.0%	-	121,984	-
Total, San Diego County	191,380,427	-	-	12.3%	121,984	\$0.87

TABLE 2

**INDUSTRIAL BUILDING SALES TRENDS, CITY OF SAN MARCOS, 2001 TO PRESENT
INDUSTRIAL MARKET ASSESSMENT
CITY OF SAN MARCOS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽¹⁾	<u>Total 2000-2010</u>
Number of Transactions	16	18	13	18	21	12	19	9	12	7	6	151
Total Dollar Volume	\$25,250,000	\$27,553,500	\$32,206,760	\$28,610,450	\$49,274,419	\$30,492,780	\$85,629,863	\$20,632,000	\$34,170,552	\$65,754,254	\$3,076,254	\$402,650,832
Total Building SF	381,262	438,881	409,224	342,976	574,246	398,831	702,553	205,167	232,684	803,837	369,678	4,859,339
Average Price Per SF Building	\$66.23	\$62.78	\$78.70	\$83.42	\$85.81	\$76.46	\$119.04	\$100.56	\$146.85	\$81.80	\$8.32	\$82.45
Median Price Per SF Building	\$61.79	\$70.36	\$73.86	\$93.84	\$97.19	\$136.25	\$140.28	\$145.26	\$172.30	\$92.85	\$33.51	\$91.29
Cap Rate	9.9%	9.5%	9.1%	8.8%	7.5%	6.1%	6.3%	5.3%	6.3%	7.5%	N/A	7.9%

(1) Through May 2010.

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: San Marcos\Industrial Market Assessment v2;7/23/2010;ema

TABLE 3

INDUSTRIAL BUILDING SALES, NORTH SAN DIEGO COUNTY, 2009 TO PRESENT
INDUSTRIAL MARKET ASSESSMENT
CITY OF SAN MARCOS

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Saleable Building SF</u>	<u>\$/SF Building</u>	<u>Year Built</u>	<u>Property Description</u>
04/22/10	2350 Meyers Ave. - Bldg. 6	Escondido	\$1,055,000	0.56	\$43	8,928	\$118	1988	Class C manufacturing building
03/30/10	450 Enterprise St.	Escondido	\$830,000	0.44	\$44	9,750	\$85	1985	Class B manufacturing building
03/15/10	1810 Ord Way - Bldg. 2-B	Oceanside	\$1,032,781	N/A	N/A	10,027	\$103	2007	Class B warehouse building
03/05/10	848 Rancheros Dr.	San Marcos	\$440,000	0.47	\$22	7,128	\$62	N/A	Class C warehouse building
02/24/10	737 W. 4th Ave.	Escondido	\$255,000	0.16	\$36	2,375	\$107	1979	Class C warehouse building
02/23/10	564 N. Tulip St. - Bldg. 6	Escondido	\$765,000	0.50	\$35	9,408	\$81	1982	Industrial building
02/16/10	344 N. Vinewood St.	Escondido	\$1,400,000	0.38	\$85	9,938	\$141	1994	Class C manufacturing building
02/16/10	684 Rancheros Dr.	San Marcos	\$741,000	6.20	\$3	7,800	\$95	1979	Warehouse building (Cactus Containers)
02/05/10	4005 Avenida de la Plata - Bldg. K	Oceanside	\$1,500,000	N/A	N/A	16,517	\$91	2004	Class B manufacturing building
01/29/10	2057 Aldergrove Ave.	Escondido	\$4,412,000	2.49	\$41	42,333	\$104	1996	Class B manufacturing building
01/08/10	765 W. 3rd Ave.	Escondido	\$876,500	0.69	\$29	8,000	\$110	1969	Class C warehouse building
12/24/09	1152 Armorlite Dr.	San Marcos	\$4,050,000	3.04	\$31	44,313	\$91	1986	Class B manufacturing building
12/23/09	854 Rancheros Dr.	San Marcos	\$800,000	0.44	\$41	6,418	\$125	1982	Class C warehouse building
11/19/09	5823 Newton Dr.	Carlsbad	\$14,765,000	14.86	\$23	179,721	\$82	1999	Class B distribution building
11/09/09	655 Venture St.	Escondido	\$1,790,000	0.78	\$53	14,322	\$125	1988	Class C warehouse building
11/07/09	6350 Yarrow Dr.	Carlsbad	\$3,925,000	3.30	\$27	44,706	\$88	1976	Class B warehouse building
11/06/09	1617 Ord Way - Bldg. 4-C	Oceanside	\$2,000,000	0.45	\$101	8,996	\$222	2007	Class B warehouse building
11/02/09	125 N. Hale Ave.	Escondido	\$625,000	0.25	\$57	3,348	\$187	1987	Class C warehouse building
10/30/09	2936 San Luis Rey Rd.	Oceanside	\$935,000	0.72	\$30	12,457	\$75	1968	Class C self-storage facility
10/29/09	1349 Rocky Point Dr.	Oceanside	\$681,720	6.48	\$2	5,244	\$130	2009	Class B warehouse building
10/01/09	1210 N. Melrose Dr.	Vista	\$2,525,000	1.19	\$49	17,135	\$147	1987	Class C warehouse building
09/29/09	130 Bosstick Blvd.	San Marcos	\$1,700,000	0.95	\$41	17,631	\$96	1990	Class B manufacturing building
08/26/09	4010 Ocean Ranch Blvd.	Oceanside	\$12,300,000	16.10	\$18	203,779	\$60	2004	Class B manufacturing building
08/18/09	580 Airport Blvd.	Oceanside	\$1,500,000	1.00	\$34	14,950	\$100	1972	Class B manufacturing building
08/14/09	2865 Executive Pl.	Escondido	\$6,200,000	2.78	\$51	59,572	\$104	1999	Class B manufacturing building
08/11/09	2384 La Mirada Dr.	Vista	\$2,031,500	1.75	\$27	17,819	\$114	2006	Class B warehouse building
07/01/09	501 S. Andreasen Dr.	Escondido	\$2,200,000	0.80	\$63	18,697	\$118	1982	Class B manufacturing building
06/04/09	2245 Micro Pl.	Escondido	\$435,000	0.28	\$36	3,573	\$122	1981	Class C manufacturing building
05/29/09	1134-1146 Industrial Ave.	Escondido	\$1,022,000	0.46	\$51	7,020	\$146	1973	Class C manufacturing building
05/19/09	980 Rancheros Dr.	San Marcos	\$4,200,000	2.84	\$34	48,000	\$88	1982	Class C warehouse building
05/15/09	490 Corporate Dr.	Escondido	\$1,190,000	1.50	\$18	8,000	\$149	1997	Class B warehouse building
03/19/09	324 N. Vinewood St.	Escondido	\$400,000	2.00	\$5	4,080	\$98	1994	Class C manufacturing building
02/17/09	2665 Vista Pacific Dr.	Oceanside	\$2,562,500	1.40	\$42	17,668	\$145	1998	Warehouse building
01/30/09	692-694 Rancheros Dr.	San Marcos	\$3,500,000	1.50	\$54	21,023	\$166	1979	Class B warehouse building
01/29/09	1629 Ord Way - Bldg. 4-E	Oceanside	\$1,606,660	0.69	\$53	14,606	\$110	2007	Class B warehouse building
		Minimum	\$255,000	0.16	\$2	2,375	\$60	1968	
		Maximum	\$14,765,000	16.10	\$101	203,779	\$222	2009	
		Median	\$1,500,000	0.95	\$36	12,457	\$107	1988	
		Average	\$2,464,333	2.35	\$39	26,437	\$114	1989	

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: San Marcos\Industrial Market Assessment v2\7/23/2010; ema

TABLE 4

**INDUSTRIAL LAND SALES TRENDS, CITY OF SAN MARCOS, 2001 TO PRESENT
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	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> (1)	Total 2000-2010
Number of Transactions	3	4	7	5	7	1	2	2	1	4	0	36
Total Dollar Volume	\$8,325,509	\$7,450,000	\$7,178,500	\$13,125,000	\$18,167,536	\$1,600,000	\$4,625,000	\$5,700,000	\$1,725,000	\$5,492,000	\$0	\$73,388,545
Total Land in Acres	35.1	38.1	19.7	45.1	49.0	1.5	8.8	8.0	2.1	6.4	0.0	213.8
Average Price Per SF Land	\$5.44	\$4.49	\$8.39	\$6.68	\$8.51	\$24.65	\$12.05	\$16.32	\$18.50	\$19.67	\$0.00	\$7.88
Median Price Per SF Land	\$4.92	\$5.03	\$8.25	\$4.87	\$10.97	\$24.65	\$10.84	\$19.92	\$18.50	\$16.88	\$0.00	\$9.00

(1) Through May 2010.

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: San Marcos\Industrial Market Assessment v2;7/23/2010;ema

TABLE 5

**INDUSTRIAL LAND SALES, NORTH SAN DIEGO COUNTY, 2008 TO PRESENT
INDUSTRIAL MARKET ASSESSMENT
CITY OF SAN MARCOS**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Land Improvements</u>	<u>Proposed Use</u>
02/19/10	555 Airport Rd.	Oceanside	\$860,000	1.44	\$13.71	Rough graded	Unknown
06/18/09	Oceanside Blvd., S. of Ord Way	Oceanside	\$1,433,000	4.74	\$6.94	N/A	Oceanside Gateway Business Park (portion)
03/06/09	NEC Mulberry Dr. and E. Mission Rd.	San Marcos	\$230,000	0.50	\$10.56	Asphalt paved lot	Unknown
12/23/08	Oceanside Blvd., S. of Ord Way	Oceanside	\$1,428,000	3.86	\$8.49	Finished	Oceanside Gateway Business Park (portion)
12/10/08	642 Aero Way	Escondido	\$615,000	0.41	\$34.17	N/A	Outside storage yard
07/30/08	N. Twin Oaks Valley Rd.	San Marcos	\$1,725,000	2.14	\$18.51	Raw land	32,000-SF flex building
07/18/08	S. Olive Ave. between N. Melrose Dr. and Plymouth Dr.	Vista	\$1,372,500	1.05	\$30.01	Asphalt paved lot	Unknown
05/01/08	4096 Calle Platino	Oceanside	\$1,185,500	3.63	\$7.50	N/A	Unknown
04/14/08	2410 Birch St.	Vista	\$843,500	1.63	\$11.88	N/A	Unknown
03/28/08	Pacific Oaks Pl. at Harmony Grove, Lots 8 and 9	Escondido	\$2,216,000	2.06	\$24.70	N/A	Office park
01/10/08	555 Airport Rd.	Oceanside	\$1,660,000	1.44	\$26.46	Rough graded	Construction of 2-story R&D buildings
		Minimum	\$230,000	0.41	\$6.94		
		Maximum	\$2,216,000	4.74	\$34.17		
		Median	\$1,372,500	1.63	\$13.71		
		Average	\$1,233,500	2.08	\$17.54		

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: San Marcos\Industrial Market Assessment v2\7/23/2010; ema

**Research & Development /
Business Park
Market Conditions**

**Industrial Market Assessment
City of San Marcos**

TABLE 6

R&D MARKET PROFILE, NORTH SAN DIEGO SUBMARKETS, 1ST QUARTER 2010
 INDUSTRIAL MARKET ASSESSMENT
 CITY OF SAN MARCOS

<u>Submarket</u>	<u>Total SF</u>	<u>As % of County</u>	<u>As % of North County Submarket</u>	<u>As % of Total Industrial Inventory</u>	<u>Overall Vacancy Rate</u>	<u>Under Construction</u>	<u>Average Asking Lease Rate</u>
Carlsbad	6,648,104	12.1%	76.8%	47.2%	19.1%	0	\$1.15
Escondido	268,237	0.5%	3.1%	3.6%	31.7%	0	N/A
Oceanside	841,559	1.5%	9.7%	10.6%	11.9%	0	N/A
San Marcos	267,763	0.5%	3.1%	3.0%	0.9%	0	N/A
Vista	626,226	1.1%	7.2%	4.8%	10.0%	0	\$0.88
Subtotal, North County Submarket	8,651,889	15.7%	100.0%	4.5%	-	-	-
Total, San Diego County	54,972,192	-	-	28.7%	15.0%	0	\$1.28

TABLE 7

**R&D BUILDING SALES, NORTH SAN DIEGO COUNTY, 2009 TO PRESENT
INDUSTRIAL MARKET ASSESSMENT
CITY OF SAN MARCOS**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Saleable Building SF</u>	<u>\$/SF Building</u>	<u>Year Built</u>	<u>Property Description</u>
04/22/10	2414 Auto Park Way	Escondido	\$965,000	0.50	\$44	9,600	\$101	1979	Class C light manufacturing building
04/01/10	3190 Lionshead Ave.	Carlsbad	\$1,735,860	1.13	\$35	16,532	\$105	2007	Class B R&D building
03/19/10	3197 Lionshead Ave.	Carlsbad	\$2,450,000	1.60	\$35	23,109	\$106	2009	Class B R&D building
02/18/10	2280 Faraday Ave.	Carlsbad	\$2,220,000	0.80	\$64	30,000	\$74	1985	Class B R&D building
12/27/09	3201 Lionshead Ave.	Carlsbad	\$2,865,940	1.87	\$35	26,054	\$110	2008	Class B R&D building
12/15/09	2210 Oak Ridge Way	Vista	\$4,950,000	3.40	\$33	53,269	\$93	1999	Class B flex building
07/24/09	2711 W. Loker Ave.	Carlsbad	\$1,000,000	0.37	\$62	14,610	\$68	1990	Class B R&D building
05/29/09	2700 Gateway Ave. - Bldg. G	Carlsbad	\$1,530,000	N/A	N/A	8,764	\$175	2008	Class B R&D building
05/21/09	6122 Innovation Way - Unit L-3	Carlsbad	\$611,000	N/A	N/A	2,908	\$210	2007	Class B R&D building
03/23/09	2702 Gateway Ave. - Bldg. F	Carlsbad	\$995,000	N/A	N/A	6,170	\$161	2008	Class B R&D building
02/17/09	2713 W. Loker Ave.	Carlsbad	\$1,206,000	0.22	\$128	9,416	\$128	1990	Class C light manufacturing building
02/13/09	3205 Lionshead Ave.	Carlsbad	\$9,338,571	3.30	\$65	46,441	\$201	2008	Class B R&D building
		Minimum	\$611,000	0.22	\$33	2,908	\$68	1979	
		Maximum	\$9,338,571	3.40	\$128	53,269	\$210	2009	
		Median	\$1,632,930	1.13	\$44	15,571	\$108	2007	
		Average	\$2,488,948	1.47	\$56	20,573	\$128	2000	

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename:San Marcos\Industrial Market Assessment v2\7/23/2010; ema