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REAL ESTATE

CONSTRUCTION

Leading foreclosures

California and Florida metropolitan areas led the U.S. in foreclosures in the first quarter.

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San Diego Source: www.sddt.com/realestate

The Daily Transcript

Thursday, April 23, 2009 / Section B



Real Estate Briefs

By Richard Spaulding

Apartment in Carlsbad on Jefferson sold

Six residential units at 3183 Jefferson St. in downtown Carlsbad 92008, have been sold for \$1 million.

The buyer was **Carlsbad MAC Properties LLC**, a California limited liability company, 15200 Memorial Drive, Suite 1001, Houston 77079.

The acquisition was financed with a loan of \$500,000 from First Republic Bank, a division of **Merrill Lynch Bank & Trust Co.**

The sellers of the property (assessor's parcel 204-031-10) were Edmund Lloyd Janicki, Ryan Thomas Janicki, Frederick Carper Janicki and Holly Gem Janicki.

The two-story, approximately 3,543-square-foot apartment occupies a

See **RE Briefs** on 2B

Delta farmers to get minimal water

By **GARANACE BURKE**
The Associated Press

FRESNO — Farmers in

Industrial vacancies continue to be high, but there is some good news

By **THOR KAMBAN BIBERMAN**
The Daily Transcript

OTAY MESA — Otay Mesa's industrial vacancy is higher than brokers would like, Chula Vista is giving industrial space back to the market and National City's industrial vacancy is surprisingly low.

The Otay Mesa industrial market had positive absorption in year's first quarter, but while the vacancy has improved, it still was 17.2 percent.

According to a **Grubb & Ellis|GRE Commercial** report, the Otay Mesa industrial market averaged a 17.6 percent vacancy rate last year and an 18.9 percent rate in 2007.

Each of these numbers are significantly higher than the 2006 average of 13.2 percent.

The Otay Mesa industrial market posted 196,509 square feet of positive net absorption in the first quarter.

The industrial base inventory remained at 14.3 million square

L.A. restricts lawn watering

LOS ANGELES (AP) — A

feet with one project under construction and one proposed.

Along Airway Road, east of state Route 905, **Scannel Properties** is constructing an approximately 130,000 square foot build-to-suit on 19 acres for Federal Express (NYSE: FDX) — a project that had been much in doubt due to the lack of sewer capacity. FedEx will be using a septic system for the time being with the understanding that it will help develop a new trunk line sewer system some time in the future.

FedEx's project is slated for completion by the end of the year.

FedEx hasn't been immune from the recession.

The parcel moving giant posted a \$1 million loss on \$5.01 billion in revenues for the quarter ended Feb. 28.

This was compared to \$249 million in net income on \$6.09 billion in revenues a year ago.

While the FedEx project goes up, the South Bay Distribution Center on Otay Mesa Road is awaiting better times.

The speculative distribution center is slated for two buildings totaling approximately 335,000 square feet on approximately 16

See **Vacancy** on 2B



High Bluff Del Mar office building leased up

High Bluff Del Mar, the three-story, 72,000-square-foot Class A office building at 12555 High Bluff Drive in Del Mar Heights, San Diego 92130, is 100 percent leased.

Novalar Pharmaceuticals has signed a 3,214-square-foot lease expansion at High Bluff Del Mar. The company will expand from its current space of 6,369 square feet in Suite 300 in May when it occupies Suite 255, previously the last remaining suite available for lease at the project. The terms were not disclosed. In addition, four other tenants have signed lease renewals. In all transactions, Brunson Howard and Steve Wolf, of **Cushman & Wakefield** represented the lessor, **Scientific Investments LP** and all but one lessee. **Nicol Investment Company** signed a 43-month, \$338,670 renewal for 2,885 square feet; **Christopher Weil & Company**, signed a 36-month, \$211,290 renewal for 2,190 square feet, represented by Glenn Friedrich, of **CresaPartners**; **EDR Valuations**, signed a 36-month, \$115,728 lease for 1,129 square feet; and **Burdman Law Group** signed a 60-month, \$314,837 lease for 1,797 square feet. Burdman first leased its space in early 2007 for 24 months at \$138,010.

Applications Vacancy

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acres. A groundbreaking date has not been established, given the economy.

Camelback, which makes water hydration packs for hikers, has vacated some space it has on the mesa in favor of 124,000 square feet in the Three Piper Ranch development nearby.

In the Siempre Viva Business Park, **Circle Foods** has moved into its new 159,651-square-foot manufacturing facility and **Bestech Trading Inc.**, an embroidery firm, has relocated into about 40,000 square feet.

While Camelback, Circle Foods and the Bestech firm, have been filling space, the amount of vacant sublease space has more than doubled since this time last year and has jumped 157,873 square feet since fourth quarter 2008, reaching 237,861 square feet.

"The limited tenant and buyer activity levels experienced during the period from mid- to late-2008 have spilled over into the early part of 2009," G&E|BRE wrote. "As the summer months approach, asking lease rates and sale prices are expected to remain flat while landlords continue to aggressively compete in a limited pool of tenants and buyers."

With the soft economy and plenty of space, G&E|BRE says the mesa will be beset with many concessions in various forms such as free rent, lower first year rental rates, moving expenses and tenant improvement allowances.

None of the sales transactions during the first quarter in Otay Mesa were for more than 1,277 square feet and the largest lease transaction was a 13,600-square-foot lease for **Union Products Group**, a San Francisco-based publishing firm.

In Chula Vista, the average asking lease rate dropped by 15 percent to 71 cents per-square-foot between the first quarter of 2008 and the first quarter of 2009.

Chula Vista's industrial vacancy, which has been affected by large blocks of aging space, posted 141,000 square feet of negative industrial absorption, according to the report.

"Negative net absorption can be attributed to larger blocks of space being vacated by short term, seasonal based tenants," the report continued.

The industrial vacancy in Chula Vista has varied widely during the past two years going from an average of 9.2 percent in 2007 down to 6.7 percent by the end of 2008 and back up to

9.2 percent in the first quarter of this year.

The largest lease G&E|BRE tracked in Chula Vista was a 51,993-square-foot industrial space for **Bee International Inc.** along Boswell Road. Bee International is a local candy wholesaler.

Like Chula Vista, National City has its share of old industrial space.

But while most industrial submarkets around the county have been watching their vacancies increase, National City's has been going the other way. In fact, the submarket posted an average vacancy of just 1.6 percent in the first quarter. This was compared to an average of 2 percent last year and 7.8 percent in 2007.

National City's absorption rate has slowed down since the year started. The submarket only absorbed a net of 7,501 square feet in the first quarter, but 130,000 square feet of absorption last year more than made up for the sluggishness.

National City's positive performance on the industrial side is in sharp contrast to that community's office market, which G&E|BRE said had a 55 percent vacancy rate as of the end of this past quarter.

Source Code: 20090422tdj

RE Briefs

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7,000-square-foot lot.

The property consists of one two-bedroom, one-bath detached house, one fourplex with two-bedroom, one-

bath units, and one studio unit.

Amenities include both on-site and street parking, laundry facility and storage.

Source Code: 20090422tra

Industry Briefs

Continued from Page 1B

The AIA reported the March ABI rating was 43.7, up from the 35.3 mark in February. This was the first time since September 2008 that the index was above 40, but the score still indicates an overall decline in demand for design services (any score above 50 indicates an increase in billings). The new projects inquiry score was 56.6. "This news should be viewed with cautious optimism," said AIA Chief Economist Kermit Baker.

- Regional averages: South (43.4), Northeast (41.8), Midwest (37.5), West (36.1)
- Sector index breakdown: mixed practice (44), institutional (42.9), multi-family residential (39.4), commercial/industrial (35)
- Project inquiries index: 56.6

Green Valley Ranch

(AP) — **Moody's Investors Service** says it thinks the partnership that owns the Green Valley Ranch Resort in the Las Vegas suburb of Henderson is more likely to default on its debt this year.

The ratings service on Tuesday downgraded its ratings for **Green Valley Ranch Gaming, LLC**, a joint subsidiary of private casino operator **Station Casinos Inc.** and **GCR Gaming LLC**.

GCR Gaming's parent company is **The Greenspun Corporation**, the Henderson-based publishing company that owns the **Las Vegas Sun**. Moody's (NYSE: MCO) said the downgrade affects ratings on \$760 million in debt for Green Valley Ranch.

The ratings agency said it believes Green Valley Ranch to be more likely to break its debt obligations unless more cash comes from another source.

Source Code: 20090422tdk

Calif., Fla. metro areas lead in 1Q foreclosures

By DAN LEVY
Bloomberg News

IRVINE, CA — California and Florida metropolitan areas led the United States in foreclosures in the first quarter as unemployment and falling property values deepened the housing recession, **RealtyTrac Inc.** said.

Las Vegas had the highest overall rate of foreclosure filings, with 4.5 percent of households receiving a default or auction notice or being seized by a lender.

California had 13 cities among the top 25 with the highest rates.

Florida had eight while Nevada and Arizona each had two, according to Irvine, Calif.-based RealtyTrac, a seller of default data.

RealtyTrac showed the San Diego-Carlsbad-San Marcos metro area with 17,887 foreclosure filings in the first quarter, one for every 63 homeownership households, or 1.58 percent, up nearly 35.1 percent from the 2008 fourth quarter and up 16.8 percent from a year ago.

"Unemployment is bound to get worse," Stephen Miller, professor of economics at the University of Nevada, Las

Vegas, said. "The real issue is when will prices bottom?"

Home prices in the United States fell every month since January 2007 on a year-over-year basis and dropped a record 19 percent in January from a year earlier, according to the S&P Case/Shiller index of 20 cities.

The U.S. jobless rate increased to 8.5 percent in March, the highest since 1983, and household net worth declined \$11.2 trillion last year, the Labor Department and Federal Reserve said.

Sellers who can find a willing buyer face an additional hurdle of restricted lending.

About 65 percent of U.S. banks made it tougher for consumers to get credit in the three months through January, and not one bank reported easing credit on

prime residential mortgage loans, according to the Fed's quarterly senior loan officer survey released Feb. 2.

Even borrowers with secure incomes and good credit are delaying purchases, said economist Ed Leamer, director of the Anderson Forecast at the University of California, Los Angeles.

"Housing has a chicken-and-egg problem where banks won't give loans when prices are falling, and you can't stop prices from falling without buyers getting a loan," Leamer said.

A record 803,489 U.S. properties received a foreclosure notice in the first quarter, 24 percent more than a year earlier, RealtyTrac said last week in a separate report.

See Foreclosures on 3B

Home prices

Continued from Page 1B

week from 4.87 percent a week earlier, according to **Freddie Mac** (NYSE: FRE), the mortgage buyer.

The rate has averaged 5.02 percent this year, compared with 6.21 percent during the five-year housing boom that ended in 2005.

The difference between 30-year mortgage rates and 10-year Treasury yields has narrowed to about 2.2 percent from 3.1 percent in December, which was the widest since 1986.

The spread remains almost 0.7 percentage point above the average of the past decade, data compiled by Bloomberg show.

Rates for 15-year mortgages are about 1.8 percent above 10-year Treasury yields, compared with an average 1.4 percent since 1999.

'Glut of homes'

U.S. banks owned \$11.5 billion of foreclosed homes in the fourth quarter, up from \$6.7 billion a year earlier, according to the Federal Deposit Insurance Corp. in Washington.

California and Florida metropolitan areas led the U.S. in foreclosures in the first quarter as unemployment and falling property values deepened the housing recession, according to **RealtyTrac Inc.**, based in Irvine, Calif.

"Whatever damage has been done in California is only going to get worse because there is a glut of homes owned by lenders that aren't yet on the market," said Bruce Norris, a principal with the **Norris Group**, a Riverside, Calif.-based real estate investment firm. "These homes are

like a shadow inventory that is likely to drag down prices further when they come onto the market."

Price forecast

Freddie Mac, along with larger rival **Fannie Mae** (NYSE: FNM) and banks including New York-based **Citigroup Inc.** (NYSE: C), have slowed or delayed foreclosures using various moratorium plans in the hopes that homeowners in default will be able to modify their loans.

U.S. home prices probably will fall 5.1 percent this year to \$188,500, less than the 9.3 percent plunge in 2008, according to the real estate group.

Home resales probably will rise 1 percent to 4.96 million after a 13 percent drop last year, NAR said in a forecast posted on its Web site.

The housing market may be buoyed by improvements in the banking sector.

Treasury Secretary Timothy Geithner said Tuesday in testimony to a congressional oversight panel that most banks now have "more capital than they need." Geithner also said there were signs of "thawing" in credit markets.

The U.S. has pumped more than \$590 billion of public money into troubled financial institutions over the last six months through the \$700 billion Troubled Asset Relief Program.

Geithner said in a letter to the oversight committee yesterday that \$109.6 billion remains of the funds authorized by the Emergency Economic Stabilization Act last year.

Source Code: 20090422tdc

Financing

ANA CHANDRA
Bloomberg News

TON — Mortgage in the U.S. rose last

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