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Driving back

Improvements in housing and manufacturing are driving early stages of the economic recovery, according to the Fed.

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REAL ESTATE

CONSTRUCTION

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The Daily Transcript

Thursday, October 22, 2009 / Section B



Real Estate Briefs

By Richard Spaulding

Apartment in Mission Hills on Guy Street sold

Four residential units in Mission Hills at 1763-1769 Guy St., San Diego 92110, have been sold for \$825,000. The apartment consists of five bedrooms and five bathrooms.

The buyers were Daniel and Taline Tokatlian, 1763 Guy St., San Diego.

The acquisition was financed with a loan of \$577,500 from **Guaranteed Rate Inc.**

The property seller (assessor's parcel 451-211-14) was **Deutsche Bank National Trust Co.**, as trustee of the **Morgan Stanley** (NYSE: MS) Mortgage Loan Trust 2004-8AR.

The one-story, approximately 3,371-square-foot apartment was construct-

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S.D. industrial market in tough shape; office market looking worse

By THOR KAMBAN
BIBERMAN
The Daily Transcript

SAN DIEGO — San Diego County's office market gave back more 900,000 square feet for 2009 through September, while the industrial market returned more than 3.3 million square feet, according to a San Diego commercial brokerage.

Office

Grubb & Ellis|BRE Commercial reports the county's office market experienced 221,158 square feet of negative absorption in the third quarter and 940,463 square feet through the first three quarters of the year.

A week ago, **Voit Commercial** put office absorption on the positive side with a net 346,030 square feet in the quarter and 653,537 through September.

Reasons for such large variations may include the time of the survey, whether or not space

is actually occupied and the building size in the sampling.

In any case, it hasn't been easy to fill the space.

"Landlords eager to keep their buildings occupied are offering generous concessions thereby presenting tenants with opportunities to move to higher quality office space at a reduced cost and with favorable terms, a trend that is expected to continue," G&E|BRE wrote.

John Frager, G&E|BRE president and CEO, said the office market could be hobbled for a while.

"If what we've been hearing about the lack of job creation is true, office will be the most challenging sector over the next several years," Frager said.

The countywide office vacancy rate ended the third quarter at an even 18 percent — a figure 300 basis points higher than that of a year earlier.

Nationwide office vacancies rose to a five-year high of 16.5 percent in the third quarter, according to New York-based property research firm **Reis Inc.** (Nasdaq: REIS).

G&E|BRE reported Chula Vista East posted a 40.9 percent office vacancy at the third quar-

See **Industrial** on 2B

Mortgage applications fell again

By BOB WILLIS
Bloomberg News

WASHINGTON — Mortgage applications in the U.S. dropped for a second consecutive week as borrowing costs climbed, a sign the recovery in home sales may cool.

The Mortgage Bankers

"Home sales may start to slow down as buyers aren't able to close before the Nov. 30 deadline to claim the tax credit," David Semmens, an economist at **Standard Chartered Bank** in New York, said before the report.

The refinancing gauge fell to 2,808 from 3,374.6 the prior



Corner retail building in Pacific Beach on Grand sold

The 5,854-square-foot retail building in Pacific Beach at 1606 Grand Ave., San Diego 92109, and the ground lease on its 12,502-square-foot parcel have been sold for \$2.6 million.

The buyer was **DFTC Inc.**, with Daniel E. Powell president and secretary, c/o Ross Schwartz Esq., 101 W. Broadway, Suite 810, San Diego 92101. The acquisition was financed with a loan of \$1,452,200 from **US Bank Trust Company**.

The sellers of the property (assessor's parcel 424-012-21) were 10 individuals and trusts, including **Elizabeth Roulac** as trustee of the **Phil and Elizabeth Roulac Revocable Trust**.

Tim Mills, of **Cushman & Wakefield**, represented the seller. **Alex Mickle** of **AVM Properties** represented the buyer. The corner building is currently leased to **US Bank**. The buyer plans to hold the property for investment.

Arizona Tile rounds on Carroll

Chief Executive Officer said Sept. 25. Reserve policy making September meeting and a relapse into recession risk than a near-term price, according to of the gathering last week. decided to slow purchase mortgage securities to disrupting the housing while extending the of the program by months. FBA's loan survey, commentary week, covers about all U.S. retail residential originations. Source Code: 20091021tda

turing continued a "pattern of improvement that emerged

Economists predict it will rise as high as 10.5 percent by

low. Source Code: 20091021tde

falls Corporation. The property was leased for \$108,136. The lessee was represented by Daniel Knoke and Peter Merz, of Colliers International. The lessor was represented by Ken Dubs Sr. and Ken Dubs Jr.

Industrial

Continued from Page 1B
ter's end, as the area continues to experience a wave of residential foreclosures.

Neighboring National City has an even higher office vacancy at 56.2 percent, but is only about half the size (482,294 square feet) of East Chula Vista.

Downtown San Diego checked in with a 14.9 percent vacancy in the third quarter, having put 17,851 square feet back on the market in the third quarter.

The Central County area including Mission Valley, Poway and Del Mar Heights, posted a 16 percent overall vacancy.

But some submarkets within the Central area were significantly worse than that. Governor Park, for example had a 31.5 percent vacancy rate.

If sublease space is added to the mix, the vacancy rate climbs to 42.3 percent.

The countywide average asking rental rate for office space was \$2.47 per square foot per

month in the third quarter compared to \$2.73 a year ago.

"Effective rents are expected to decrease further as landlords offer more concessions to keep their tenants," G&E|BRE continued.

The good news is with little new office construction, the market will have a chance to absorb existing space.

A total of 358,462 square feet is under construction countywide representing less than 1 percent of the total countywide office inventory.

Many difficulties remain, however.

"The current financial climate and inability to acquire fresh capital will continue to present serious challenges," the report added.

"The office market lags the economy by six months as a rule of thumb, meaning the countywide vacancy rate could increase more rapidly and absorption could fall deeper into the red due to downsizing by struggling tenants."

As for the office properties' values, as well as other commercial asset classes, Moody's/REAL Commercial Property Price Indices fell 3 percent in August from July, bringing the market's decline to almost 41 percent since its peak in October 2007.

"We can't call a bottom at this point, but it's an encouraging sign to see the deceleration in the decline," said Connie Petruzzello, a Moody's analyst and co-author of the commercial property price report in a *Bloomberg News* story.

Industrial

San Diego County recorded 1,088,669 square feet of negative industrial absorption during the third quarter countywide bringing year-to-date give back to some 3.3 million square feet.

When asked about this huge space return, Frager said while it means the demand for industrial space isn't there now, there are a couple of reasons he has more confidence about that sector.

"One reason is the industrial vacancy is much lower (10.1 percent versus 18 percent for office) and office vacancy is much more directly impacted by employment," Frager said.

Otay Mesa gave back 281,696 square feet in the third quarter for a year-to-date figure of 183,321 square feet through September.

Hitachi Transport vacated 325,000 square feet during the quarter. The direct industrial vacancy in that submarket was 19.8 percent in the third quarter.

See Industrial on 3B

Editor's Note: Leasing Notes for publication must contain the names of the lessee and the lessor; address (including street name and number, city and zip code); square footage; length of lease; lease terms such as NNN; financial consideration; proposed use of space (if not evident from name of lessee); and the names of brokers and their firms representing both the lessee and the lessor.

Source Code: 20091021tw

RE Briefs —

Continued from Page 1B
ed on its 6,600-square-foot lot in 1969.

In May 2004, the property was sold for \$1.33 million. The apartment went through foreclosure in August 2008. The foreclosure value was \$723,750.

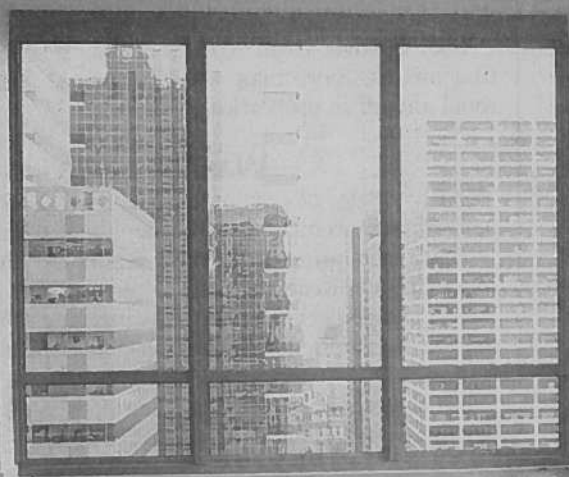
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THE DAILY TRANSCRIPT
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...mortgages now accounting for 90 percent of new home loans, rather than the riskier debt it specialized in as recently as two years ago, reduced competition has made that market profitable. For the ones that are left, there's opportunity," Steve Robson, chief executive officer of Madison, Wis.-based **Irway Mortgage Corp.**, said. His originations soared 67 percent from a year earlier to \$6 billion in the first nine months of 2009. Less competition has boosted per-loan profits, to \$88 in the first quarter of 2008 in 2004, according to Mortgage Bankers Association studies. Aurora, once a specialist in Alt-A mortgages, is starting to start lending again through other companies and lenders, as well as directly to borrowers, according to the people familiar with the company. The Littleton, Colo.-based company has remained a servicer of outstanding mortgages and is owned by **Aurora Bank**, formerly **Lehman Brothers Bank FSB**. Source Code: 20091021td

while portability has exacerbated that difference, D'Alemberte said. He used what he called "The Fable of the Magic Potion" to argue the tax breaks violate federal constitutional rights of equality and travel and infringe on interstate commerce. "Once upon a time, I think in 2006, the Florida Legislature looked out on its domain and saw that there were problems

other states that don't offer a similar incentive. "I now ask you to walk into a house of mirrors," D'Alemberte said. "What happens in other states when they do the same kind of thing that Florida has done?" The judges may have been entertained, but D'Alemberte acknowledged at the start that they'd be a tough audience. Judge Philip Padovano

D'Alemberte why the July ruling didn't also cover the other two cases. D'Alemberte said that one didn't involve portability or the travel rights issue. Trial judges had dismissed all three lawsuits. D'Alemberte asked the appellate panel to send the cases back for trials he argued would bring out evidence proving the tax breaks are unconstitutional. Source Code: 20091021td

Irish prices
(Bloomberg) — Irish house prices will have a "further dip" in 2010 after a 13 percent fall in 2009, **Standard & Poors** said Wednesday. "Market estimates indicate that the excess supply should start to gradually reduce from the end of this year," Standard & Poors said.

Italian moratorium
(Bloomberg) — Italian banks agreed to offer a one-year moratorium on mortgage loans beginning Jan. 1 for some families struggling to make their monthly payments, the country's banking association, **ABI** said. The measure will benefit a number of mortgage subscribers, including full-time employees who have lost their jobs or those on temporary layoffs under a government-backed program called **CIG**, **ABI** said. The decision follows a similar measure by Italian lenders announced in August allowing small and medium-size companies to postpone loan payments for a year as they cope with the country's deepest recession since World War II.

Solar advisory
(Bloomberg) — **Solar Millennium AG** said that through its U.S. unit **Solar Trust of America LLC** it has engaged **Citigroup** and **Deutsche Bank** to provide advisory services on financing for several planned thermal power plants in the United States. Each plant has an expected financing volume of more than \$1 billion, the company said.

Hong Kong plan
(Bloomberg) — **Hong Kong Mortgage Corp.** will start a fixed-rate mortgage plan to help homebuyers purchasing property they will live in. The new plan, ranging from one year to 10 years, will offer fixed mortgage rates from 1.25 percent to 3.78 percent, chief executive **James Lau** said Wednesday. Application for the fixed rate plan will start Oct. 27, he said. Source Code: 20091021td

Industrial

Continued from Page 2B
Poway was another submarket that returned more than 100,000 (177,518) square feet in the third quarter. With a 10.5 percent vacancy rate, Poway's vacancy looks considerably better than Otay's. Kearny Mesa returned 160,083 square feet during the quarter, but with a 4.7 percent vacancy rate as of Sept. 30, it doesn't appear to have been hurt much. Oceanside's industrial submarket is in a less strong position. Having given back more than 208,000 square feet since the year began, Oceanside ended the quarter with a 15.9 percent direct industrial vacancy

Asking industrial rental rates haven't changed as much as one might think given the economy. The countywide average for all industrial product types was 92 cents-per-square-foot, unchanged from the second quarter and just eight cents down from a year earlier. A total of 246,050 square feet is under construction countywide representing 1.4 percent of the total countywide industrial inventory of 172.7 million square feet. The construction activity is almost equally split between North (47.2 percent) and South (52.8 percent) with no construction activity in Central County. "The disciplined addition of

new space should help San Diego's industrial market cope with the recession and keep vacancies under control," the **G&E|BRE** report concluded. Nationally, the **Moody's/REAL Commercial Property Price Indices** fell 3 percent in August from July, bringing the market's decline to almost 41 percent since its peak in October 2007, **Moody's Investors Service** (NYSE: MCO) said last week. Commercial real estate prices are forecast to fall additional 17 percent through the fourth quarter of next year, **Goldman Sachs Group Inc.** (NYSE: GS) said in a Sept. 30 report. Source Code: 20091021td

SAN DIEGO MORTGAGE RATES

30 Year Fixed Rate Mortgages

Lender	To \$417,000			To \$697,500		
	Rate	Points	APR	Rate	Points	APR
Bank of America	4.75	2.00	5.05	5.00	2.00	5.30
Bank of Internet, USA	4.875	0.46	5.04	5.125	.66	5.28
California Bank & Trust	4.75	1.75	5.02	4.875	2.00	5.18
Case	5.00	2.00	5.30	5.625	2.00	5.93
Fouts Financial	4.375	2.00	4.69	4.625	2.00	4.93
Jolla Bank	—	—	—	6.50	1.00	6.70
San Diego National Bank	5.00	1.50	5.25	—	—	—
Union Bank (15 Year)	5.375	1.00	5.68	—	—	—
Wells Fargo Bank	4.75	1.50	4.99	5.125	1.50	5.39

Adjustable Rate Loans

Lender	Fixed for 5 Years			Fixed for 7 Years		
	Rate	Points	APR	Rate	Points	APR
Bank of America	3.50	1.00	3.44	3.875	1.00	4.11
Bank of Internet, USA	3.75	.805	3.89	4.25	.783	4.34
California Bank & Trust	4.75	1.50	5.13	5.25	1.50	5.49
Case	3.875	1.125	3.77	4.375	1.00	4.22
Fouts Financial	3.50	1.00	3.44	3.875	1.00	4.11
Jolla Bank	6.50	1.00	6.57	—	—	—
San Diego National Bank	4.00	1.125	3.79	—	—	—
Union Bank	4.75	1.00	5.11	5.125	1.00	5.02
Wells Fargo Bank	4.25	1.00	4.09	4.55	4.50	4.56

Commercial Property Loan Rates

Lender	Type	Rate	Points	Fixed	Margin/ Years	Comments
Embarcadero Bank	Apt	6.25	1	FIX	3	250k-2.5ml
	Com	7	1	FIX	3	250k-2.5ml
Fouts Financial	Apt/Com	7.0+	0.0+	FIX	5 to 10	1.5mil+
	General Bank	Apt/Com	8.75+	1.50+	PR	1.50+
Home Bank	Com	8.75+	1.25+	FIX	5	.5mil-5mil
	Apt/Com	6.75+	0.0+	PR	1 to 10	5mil max
La Jolla Bank	Apt	4.75	1	COFI	2.75	to 10mil
	Com	6.5	1.25	Prime	0.5	to 20mil
Pacific Crest	Com	4.5	1	PR/LIB	30/10	to 5mil
Pacific Southwest	Apt/Com	5.875+	1	FIX	/10/30	500k+
	Apt/Com	5.55+	1	FIX	/10/30	1.5mil+
Pacific Trust	Apt	6.25	1	COFI	3.25%	500k-10mil
	Com	6.875	1	COFI	3.75%	500k-10mil
Seacoast Com. Bank	Apt/Com	6	1	Prime	7	250-3.5mil
South Coast Com BK	Apt/Com	4.99+	0	ADJ/FIX	30/10	to 7mil
Sunrise Mortgage	Com	4.25+	1.0+	FIX/ADJ	3 to 25	300k-100mil
	Apt	4.50+	1.0+	FIX/ADJ	3 to 25	500k-100mil
Trinity Invest Cap	Apt/Com	4.25+	0.0+	FIX/ADJ	to 30	500k
	US Bank	Apt	7.0+	1.0+	FIX	5
Washington Mutual	Com	7.50+	1.0+	FIX	5	.5 to 5mil
	Wells Fargo	Com	6.7	0	10	10
	Apt/Com	5.0+	0.0+	FIX	10+	1mil+

Commercial Property Loan Rates

Lender	Type	Rate *	Points	Fixed	Margin/ Years	Comments
Bank of America	Apt	4.41+	1	COFI	2.45+	15mil max
	Com	4.76+	1	COFI	2.80+	15mil max
Bank of America	Apt/Com	8.0+	1.0+	10YTS	1.65+	1mil+
	Charmark Financial	Apt	4.75+	1.0+	FIX/ADJ	1 to 30
Charmark Financial	Com	5.0+	1.0+	FIX/ADJ	1 to 30	to 50mil
	Cheshire Mtg Finance	Apt	6.90+	1.0+	FIX/ADJ	5 to 30
Cheshire Mtg Finance	Apt	4.63+	1	FIX/ADJ	5	750K
	Com	5.13+	1	FIX/ADJ	5	750K
Community Commerce	Apt	varies	varies	PR	varies/30	to 2mil
	Com	varies	varies	PR	varies/30	to 2mil
Curlett & Co.	Apt	5.75+	1.0+	FIX	5 to 25	1.5mil+
	Com	6.0+	1.0+	FIX	5 to 25	1.5mil+

Index Rates

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	US 30 Yr Treasury Bond	4.22		
	10 Yr Note	3.40		
	FNMA 60 day delivery	4.19		
	1 Year LIBOR (London Interbank offered Rate) (LIB)	1.26		

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