

Report

FIRST
QUARTER
2003



Market Highlights

- Unemployment in the first quarter of 2003 in San Diego County is 4.4%, which is an increase of 0.3% since the fourth quarter of 2002 and up from the 3.8% we saw a year ago.
- According to The Greater San Diego Commerce Economic Research Bureau, it is estimated that San Diego County added 25,000 new jobs in 2002, and is forecasting 23,000 new jobs to be added to the county in 2003.
- Currently there is 904,190 square feet of Research & Development construction underway, this figure is higher than last year's first quarter number of 159,186 square feet.
- Planned Research & Development construction in San Diego County is down 3% when compared to last year. Currently, there is 3,227,371 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 3,320,915 square feet.
- The Research & Development vacancy rate is 10.01%, which is about the same as it was in the fourth quarter of 2002 when it was 10.00% and is a little lower than last year's figure of 10.09%. The flat vacancy rate would explain the flat average asking lease of \$1.25 when compared to last year.
- The Research & Development absorption checked in at a positive 288,882 square feet of net absorption during the first quarter of 2003. This is lower than the 360,809 square feet of positive net absorption we experienced during the first quarter of 2002.

R&D MARKET STATISTICS

	1Q2003	4Q2002	1Q2002	% CHANGE VS. 1Q02
Under Construction	904,190	519,270	159,186	468.01%
Planned Construction	3,227,371	3,753,991	3,320,915	-2.82%
Vacancy	10.01%	10.00%	10.09%	-0.79%
Availability	13.48%	13.29%	13.72%	-1.75%
Pricing	\$1.25	\$1.31	\$1.25	0.00%
Net Absorption	288,882	89,710	360,809	-19.93%

Compared to
last quarter:

Vacancy



Absorption



Lease Rates



Construction



San Diego County

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Vice President

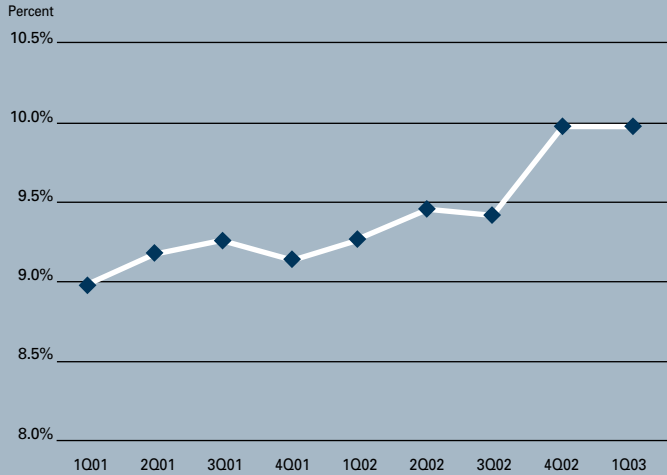
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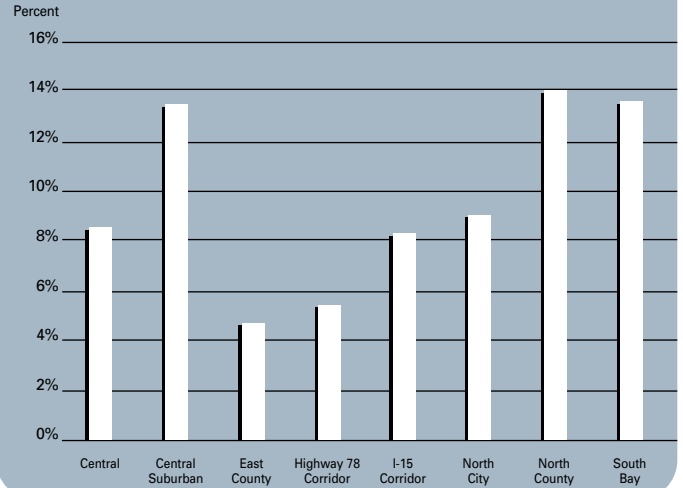
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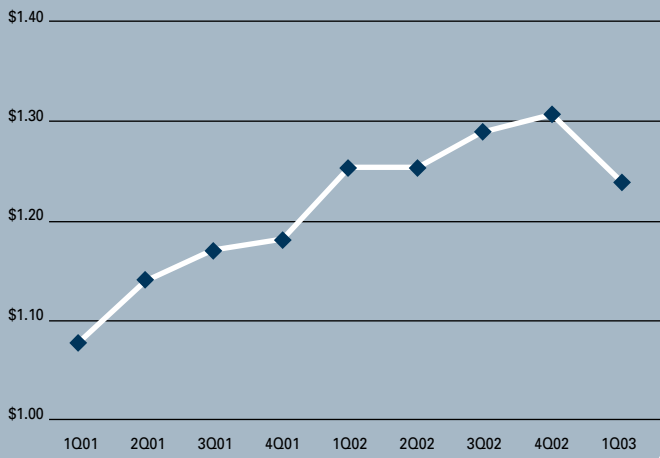
VACANCY RATE



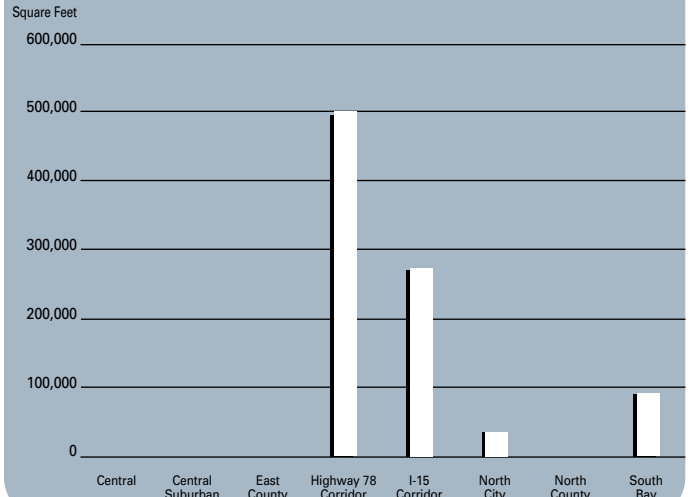
VACANCY RATE BY SUBMARKET



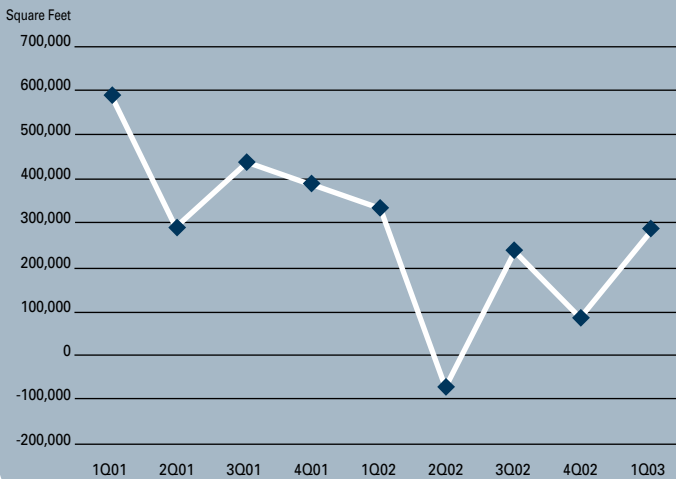
AVERAGE ASKING TRIPLE NET LEASE RATE



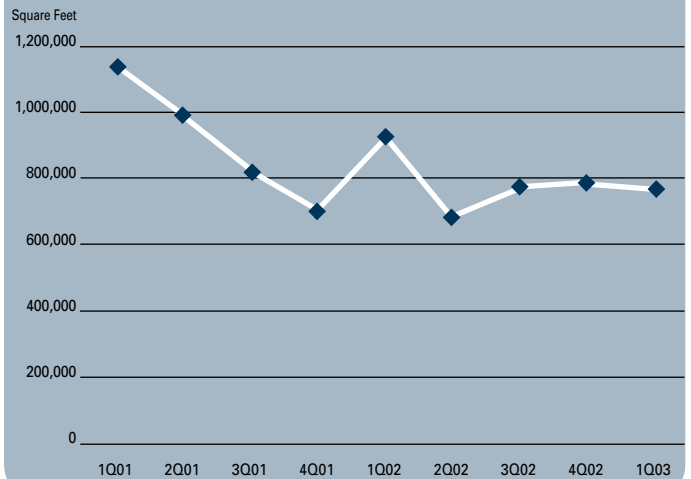
CONSTRUCTION ACTIVITY



NET ABSORPTION



GROSS ABSORPTION



S A N D I E G O C O U N T Y

Research and Development (R&D) buildings can be one story, one story with a mezzanine, and two story built-out structures with a high ratio of window wall to floor area with lower ceilings. They generally have over 30% built-out office space or laboratory use, with the remaining space being utilized as light manufacturing or warehousing. In addition, the parking ratio must be at least 3 spaces or greater per 1,000 square feet.

INVENTORY

VACANCY & ABSORPTION

	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2003	Vacancy with Sublet 1Q2003	Average Asking Lease Rate	Net Absorption 1Q2003	Net Absorption 2002
Central										
Downtown	16	488,850	0	0	42,660	8.73%	8.73%	\$0.79	0	0
Central Total	16	488,850	0	0	42,660	8.73%	8.73%	\$0.79	0	0
Central Suburban										
Airport/Sports Arena	15	292,213	0	90,000	4,500	1.54%	1.54%	\$1.20	13,000	17,900
Kearny Mesa	135	4,004,567	0	45,000	619,420	15.47%	16.25%	\$1.16	56,854	73,873
Mission Gorge	6	105,054	0	0	7,219	6.87%	6.87%	\$1.10	(6,000)	4,574
Rose Canyon/Morena	28	491,257	0	0	19,353	3.94%	3.94%	\$1.06	(12,299)	15,059
Central Suburban Total	184	4,893,091	0	135,000	650,492	13.29%	13.93%	\$1.15	51,555	111,406
East County										
El Cajon	38	1,051,394	0	45,018	64,992	6.18%	6.18%	\$0.78	19,785	56,048
La Mesa/Spring Valley	3	44,876	0	0	0	0.00%	0.00%	\$0.00	0	5,000
Santee/Lakeside	15	252,823	0	0	0	0.00%	0.00%	\$0.00	0	20,686
East County Total	56	1,349,093	0	45,018	64,992	4.82%	4.82%	\$0.78	19,785	81,734
Highway 78 Corridor										
Oceanside	6	206,657	501,690	870,310	4,100	1.98%	1.98%	\$0.00	0	26,915
San Marcos	9	339,789	0	90,035	9,617	2.83%	2.83%	\$0.87	3,073	(10)
Vista/Fallbrook	43	1,182,201	0	0	78,383	6.63%	6.63%	\$0.79	2,735	19,164
Highway 78 Corridor Total	58	1,728,647	501,690	960,345	92,100	5.33%	5.33%	\$0.79	5,808	46,069
I-15 Corridor										
Escondido	8	147,506	0	0	24,104	16.34%	16.34%	\$0.00	0	(11,104)
Poway/Rancho Penasquitos	32	1,513,943	0	157,500	151,092	9.98%	10.18%	\$0.86	33,570	142,510
Rancho Bernardo	64	4,425,036	265,000	229,459	285,909	6.46%	13.04%	\$1.14	118,662	74,542
Scripps Ranch	13	725,700	0	22,000	103,966	14.33%	14.33%	\$1.16	0	109,655
I-15 Corridor Total	117	6,812,185	265,000	408,959	565,071	8.30%	12.61%	\$1.08	152,232	315,603
North City										
La Jolla	43	3,125,291	0	135,000	104,676	3.35%	4.88%	\$2.98	10,639	21,488
Miramar	101	3,076,168	47,500	11,760	237,347	7.72%	10.95%	\$1.64	40,353	92,655
Sorrento Mesa	124	5,791,879	0	1,139,000	768,846	13.27%	17.93%	\$1.30	(63,386)	36,587
Sorrento Valley	60	1,401,245	0	0	235,564	16.81%	23.25%	\$1.40	(108,383)	(87,365)
UTC Center	20	1,201,935	0	145,000	0	0.00%	22.02%	\$0.00	0	234,297
North City Total	348	14,596,518	47,500	1,430,760	1,346,433	9.22%	14.51%	\$1.53	(120,777)	297,662
North County										
Carlsbad	115	4,608,321	0	49,000	656,566	14.25%	17.41%	\$1.08	134,606	(12,327)
North Beach Cities	6	100,050	0	125,000	0	0.00%	0.00%	\$0.00	2,480	(17,126)
North County Total	121	4,708,371	0	174,000	656,566	13.94%	17.04%	\$1.08	137,086	(29,453)
South Bay										
Chula Vista	17	534,579	90,000	73,289	26,000	4.86%	4.86%	\$0.55	0	95,492
National City	11	184,500	0	0	13,799	7.48%	7.48%	\$0.61	(5,935)	(2,419)
Otay Mesa	5	296,778	0	0	67,824	22.85%	22.85%	\$0.78	49,128	(64,952)
San Ysidro	4	179,975	0	0	54,008	30.01%	30.01%	\$0.55	0	0
South Bay Total	37	1,195,832	90,000	73,289	161,631	13.52%	13.52%	\$0.59	43,193	28,121
San Diego County Total	937	35,772,587	904,190	3,227,371	3,579,945	10.01%	13.48%	\$1.25	288,882	851,142

This survey consist of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.

SUBMARKETS

CENTRAL

Downtown

CENTRAL SUBURBAN

Airport/Sports Arena
Kearny Mesa
Mission Gorge
Rose Canyon/Morena

EAST COUNTY

El Cajon
La Mesa/Spring Valley
Santee/Lakeside

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Escondido
Poway/Rancho Penasquitos
Rancho Bernardo
Scripps Ranch

NORTH CITY

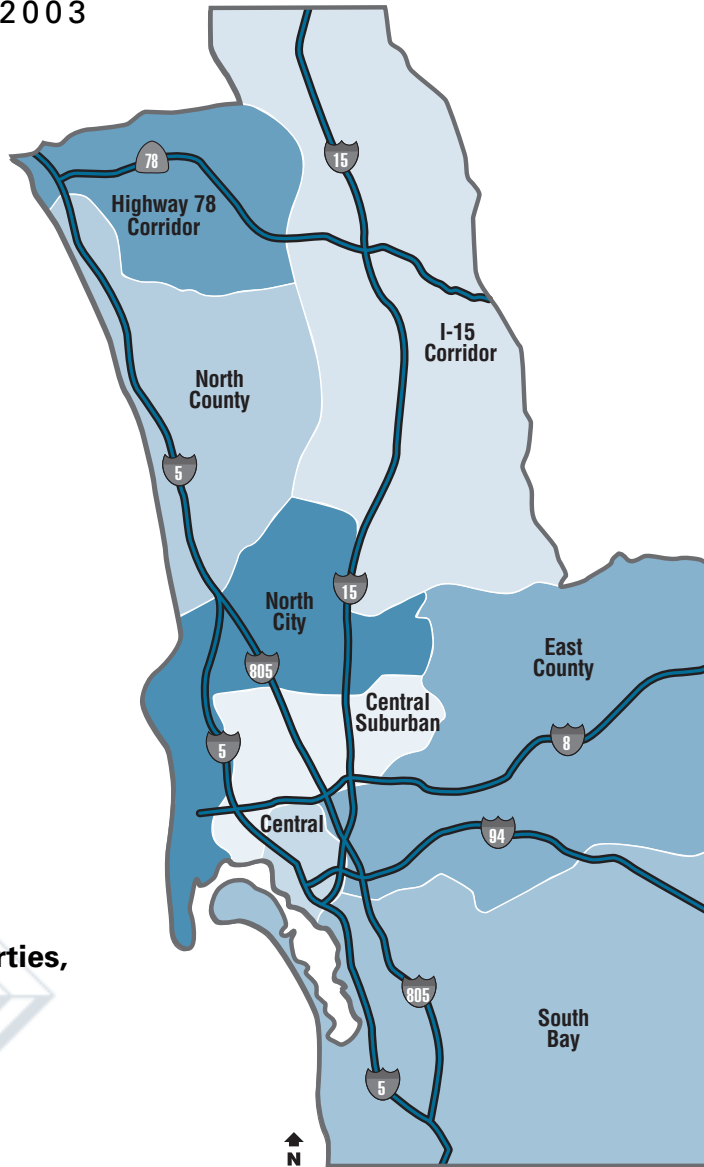
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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