

R & D MARKET REPORT

FIRST QUARTER 2004

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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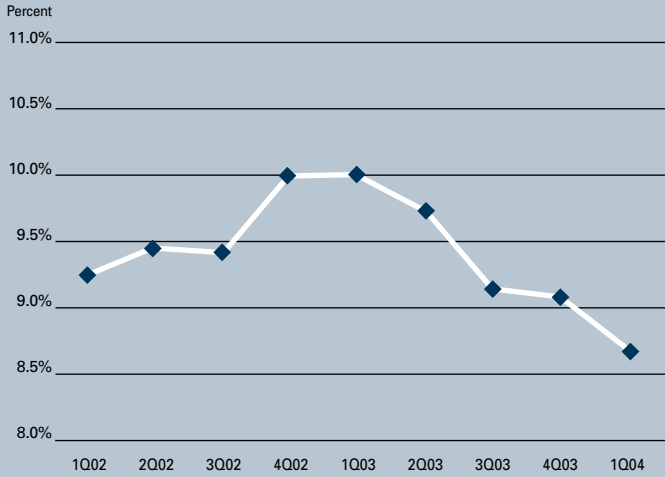
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2004 in San Diego County is 4.1%, which is an increase of 0.1% since the fourth quarter of 2003 and down from the 4.4% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 927,533 square feet of Research & Development construction underway, this figure is 2.58% higher than last year's first quarter number of 904,190 square feet.
- ◆ Planned Research & Development construction in San Diego County is down 70% when compared to last year. Currently, there is 982,694 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 3,227,371 square feet.
- ◆ The Research & Development vacancy rate is 8.67%, which is lower than it was during the fourth quarter of 2003 when it was 9.10% and is a little lower than last years figure of 10%. The flat vacancy rate would explain the drop in the average asking lease rate of \$1.19 when compared to last year.
- ◆ Rental rates are expected to remain flat and we should see rent concessions lessening during 2004 as the economy improves.
- ◆ The Research & Development absorption checked in at a negative 60,692 square feet of net absorption during the first quarter of 2004.

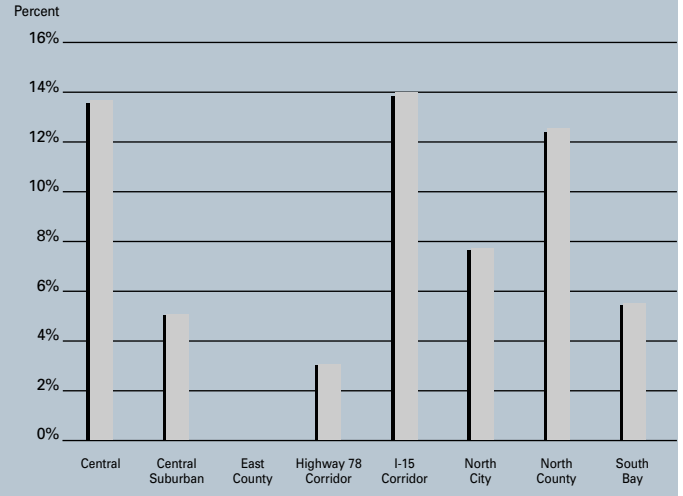
R&D MARKET STATISTICS

	1Q2004	4Q2003	1Q2003	% CHANGE VS. 1Q03
Under Construction	927,533	893,162	904,190	2.58%
Planned Construction	982,694	902,470	3,227,371	-69.55%
Vacancy	8.67%	9.10%	10.01%	-13.39%
Availability	11.98%	12.84%	13.48%	-11.13%
Pricing	\$1.19	\$1.15	\$1.25	-4.80%
Net Absorption	-60,692	356,932	288,882	-121.01%

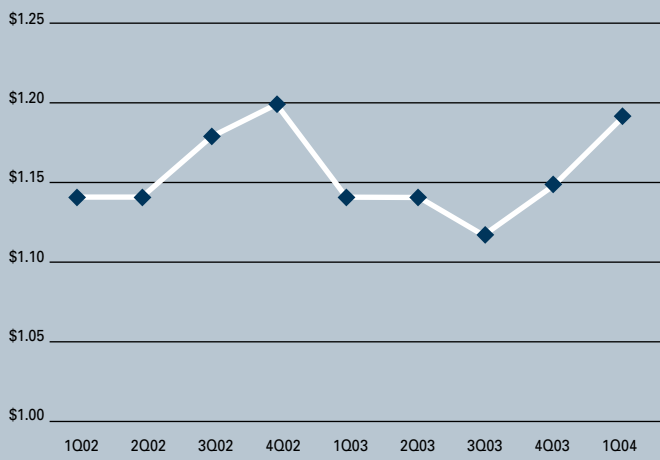
VACANCY RATE



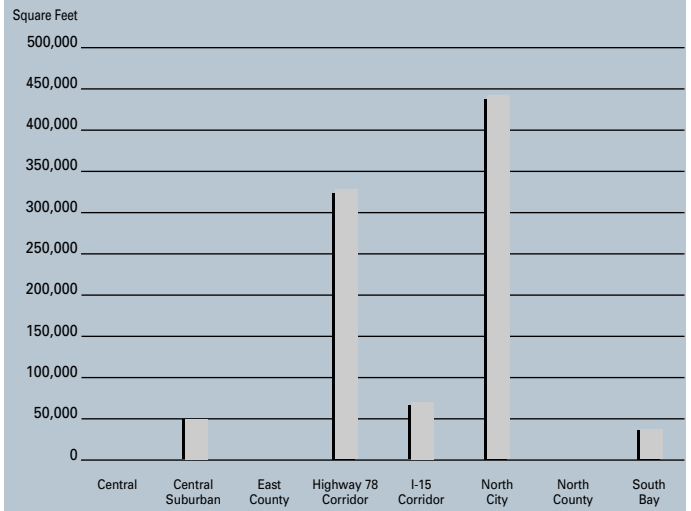
VACANCY RATE BY SUBMARKET



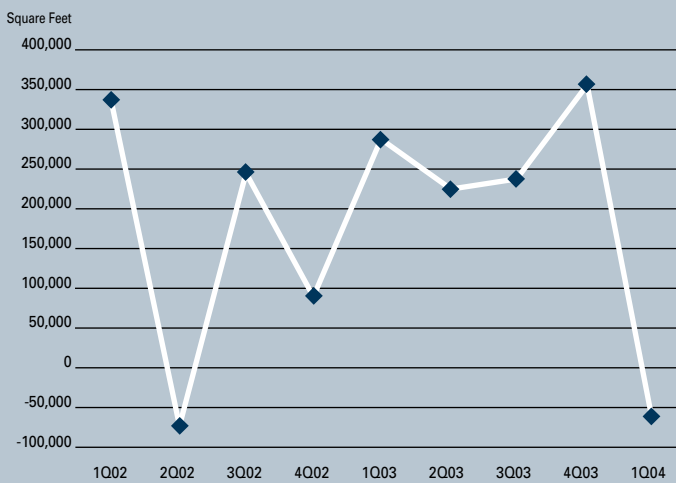
AVERAGE ASKING TRIPLE NET LEASE RATE



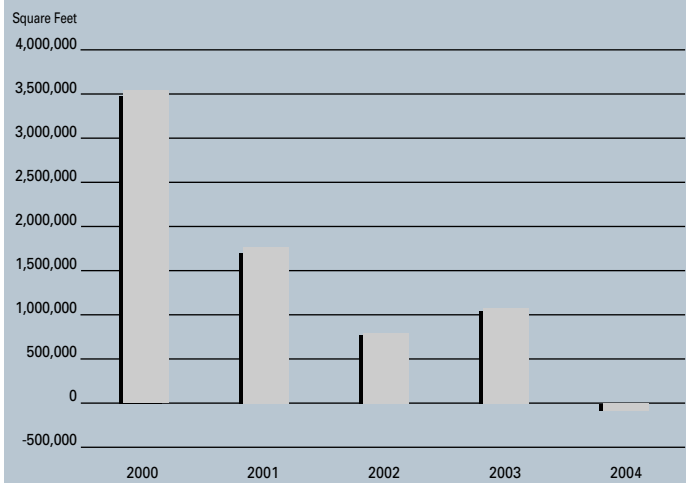
CONSTRUCTION ACTIVITY



QUARTERLY NET ABSORPTION



ANNUAL NET ABSORPTION



SAN DIEGO COUNTY

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 1Q2004	Total Availability 1Q2004	Average Asking Lease Rate	Net Absorption 1Q2004	Net Absorption 2004
Central										
Downtown	3	87,563	0	0	0	0.00%	0	\$0.00	0	0
SE San Diego	9	290,335	0	0	51,639	17.79%	51,639	\$0.75	(1,639)	(1,639)
Central Total	12	377,898	0	0	51,639	13.66%	51,639	\$0.75	(1,639)	(1,639)
Central Suburban										
Kearny Mesa	187	7,271,770	52,500	159,630	400,882	5.51%	451,001	\$1.28	61,361	61,361
Mission Gorge	17	432,684	0	0	1,500	0.35%	1,500	\$0.00	0	0
Mission Valley	12	315,801	0	74,670	0	0.00%	0	\$0.00	0	0
Rose Canyon	6	286,436	0	0	10,165	3.55%	10,165	\$0.00	(1,490)	(1,490)
Central Suburban Total	222	8,306,691	52,500	234,300	412,547	4.97%	462,666	\$1.33	59,871	59,871
East County										
El Cajon	7	293,204	0	0	0	0.00%	28,564	\$0.00	0	0
East County Total	7	293,204	0	0	0	0.00%	28,564	\$0.00	0	0
Highway 78 Corridor										
Oceanside	10	267,096	180,042	0	0	0.00%	42,314	\$0.52	0	0
San Marcos	21	576,119	53,730	0	6,600	1.15%	9,520	\$0.00	0	0
Vista/Fallbrook	38	1,654,779	90,950	0	69,458	4.20%	76,269	\$0.69	(2,933)	(2,933)
Highway 78 Corridor Total	69	2,497,994	324,722	0	76,058	3.04%	128,103	\$0.64	(2,933)	(2,933)
I-15 Corridor										
Carmel Mountain Ranch	17	1,076,943	0	178,272	109,476	10.17%	114,660	\$1.02	0	0
Escondido	21	404,525	69,500	0	0	0.00%	0	\$0.00	0	0
Poway	24	1,236,803	0	65,000	239,915	19.40%	243,954	\$1.15	(27,001)	(27,001)
Rancho Bernardo	49	3,743,032	0	0	468,459	12.52%	558,611	\$1.15	9,297	9,297
Sabre Springs	5	384,880	0	0	109,780	28.52%	114,773	\$1.15	0	0
Scripps Ranch	27	817,641	0	0	154,020	18.84%	154,020	\$0.88	(43,560)	(43,560)
I-15 Corridor Total	143	7,663,824	69,500	243,272	1,081,650	14.11%	1,186,018	\$1.12	(61,264)	(61,264)
North City										
Miramar	136	4,559,354	20,000	0	435,778	9.56%	746,263	\$1.10	9,657	9,657
Sorrento Mesa	165	8,473,186	379,000	270,000	640,864	7.56%	1,078,407	\$1.49	43,976	43,976
Sorrento Valley	95	2,598,227	0	0	237,846	9.15%	331,625	\$1.69	(30,763)	(30,763)
Torrey Pines	29	2,031,649	46,000	0	9,157	0.45%	163,714	\$0.00	500	500
UTC Center	19	1,265,743	0	0	132,718	10.49%	132,718	\$1.06	3	3
North City Total	444	18,928,159	445,000	270,000	1,456,363	7.69%	2,452,727	\$1.33	23,373	23,373
North County										
Carlsbad	142	6,123,309	0	29,898	788,518	12.88%	1,005,831	\$1.12	(78,100)	(78,100)
North Beach Cities	2	107,000	0	125,000	0	0.00%	0	\$0.00	0	0
North County Total	144	6,230,309	0	154,898	788,518	12.66%	1,005,831	\$1.12	(78,100)	(78,100)
South Bay										
Chula Vista	10	558,604	35,811	80,224	7,755	1.39%	7,755	\$0.00	0	0
Otay Mesa	3	208,600	0	0	0	0.00%	0	\$0.00	0	0
San Ysidro	2	101,000	0	0	40,000	39.60%	87,000	\$0.66	0	0
South Bay Total	15	868,204	35,811	80,224	47,755	5.50%	94,755	\$0.00	0	0
San Diego County Total	1,056	45,166,283	927,533	982,694	3,914,530	8.67%	5,410,303	\$1.19	(60,692)	(60,692)

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

R & D MARKET
REPORT

FIRST QUARTER 2004

SUBMARKETS

CENTRAL

Downtown
SE San Diego

CENTRAL SUBURBAN

Kearny Mesa
Mission Gorge
Mission Valley
Rose Canyon

EAST COUNTY

El Cajon

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Carmel Mountain Ranch
Escondido
Poway
Rancho Bernardo
Sabre Springs
Scripps Ranch

NORTH CITY

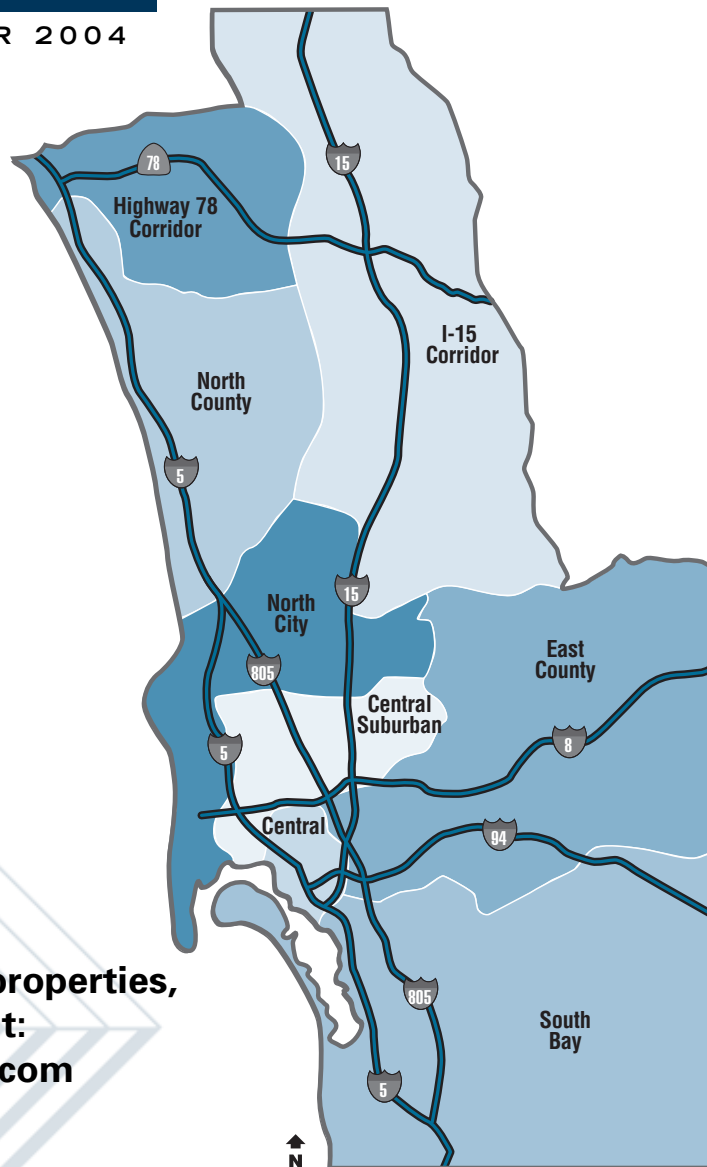
Miramar
Sorrento Mesa
Sorrento Valley
Torrey Pines
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
Otay Mesa
San Ysidro



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This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.