

R & D MARKET REPORT

FIRST
QUARTER
2005

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



DOWN

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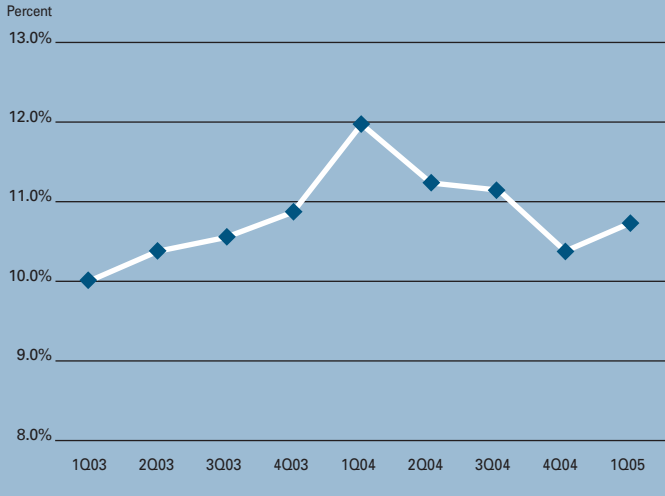
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2005 in San Diego County is 4.6%, which is a decrease of 0.1% since the fourth quarter of 2004 and down from the 5.0% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 178,120 square feet of Research & Development construction underway, this figure is down 80% when compared to last year's first quarter number of 927,533 square feet. Although, 928,095 square feet of new development was delivered during the first quarter of 2005.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,716,992 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 982,694 square feet.
- ◆ The Research & Development vacancy rate is 10.70%, which is a little higher than it was during the fourth quarter of 2004 when it was 10.41% and is lower than last year's figure of 12.00%.
- ◆ Rental rates are expected to increase 7 to 10% in 2005 as the economy improves.
- ◆ The Research & Development absorption checked in at 728,982 square feet of positive net absorption during the first quarter of 2005, giving the San Diego Research & Development Market a great start for 2005.

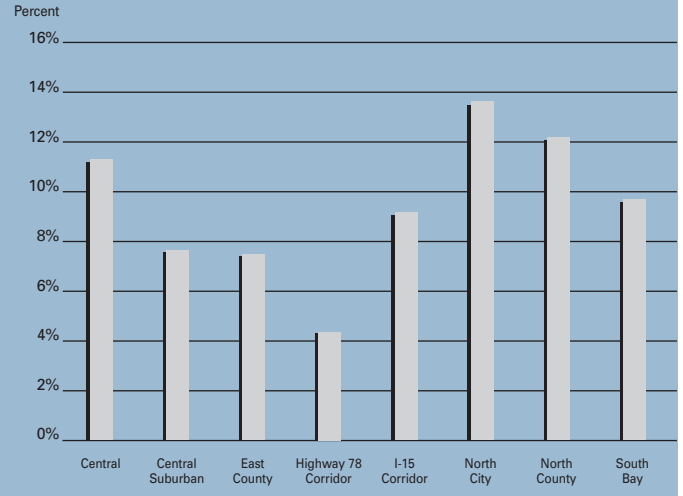
R&D MARKET STATISTICS

	1Q2005	4Q2004	1Q2004	% CHANGE VS. 1Q04
Under Construction	178,120	1,112,788	927,533	-80.80%
Planned Construction	1,716,992	1,555,982	1,482,694	15.80%
Vacancy	10.70%	10.41%	12.00%	-10.83%
Availability	15.62%	15.43%	16.98%	-8.01%
Pricing	\$1.30	\$1.28	\$1.24	4.84%
Net Absorption	728,982	603,811	-236,891	N/A

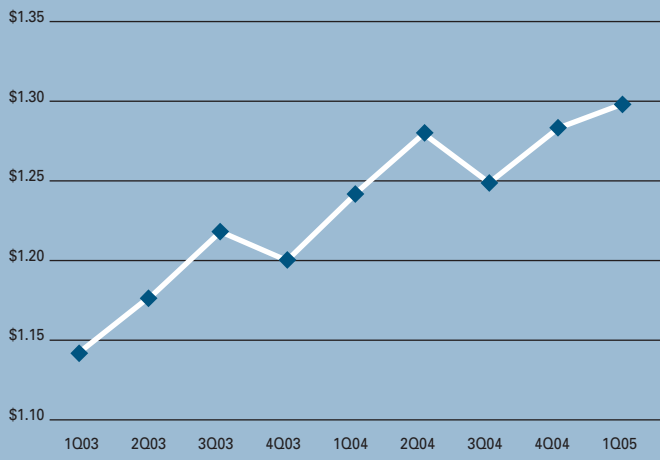
VACANCY RATE



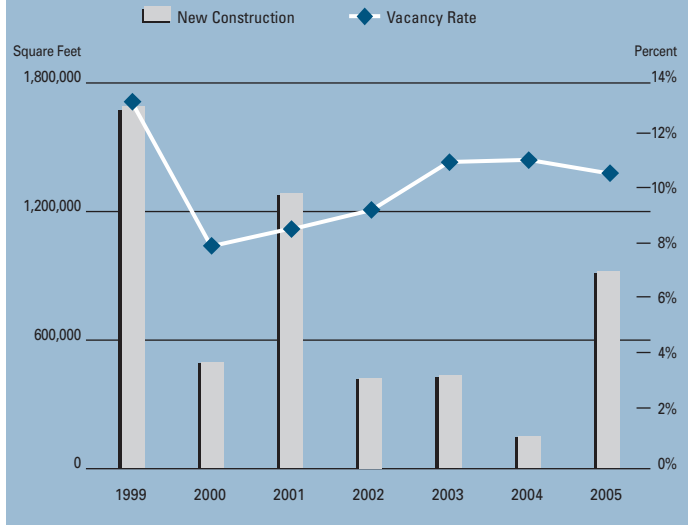
VACANCY RATE BY SUBMARKET



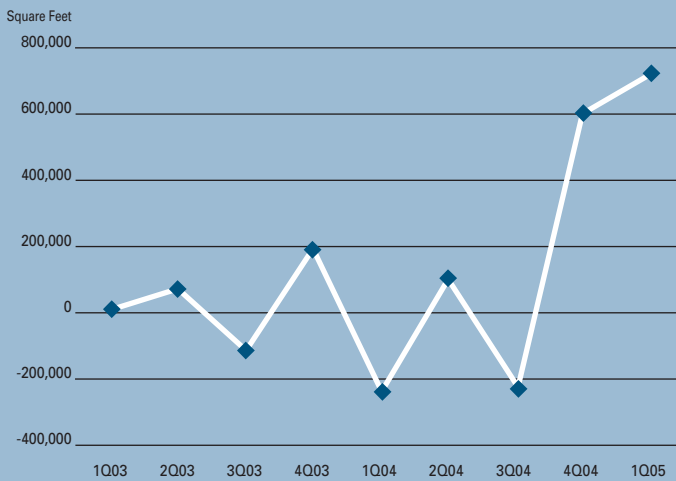
AVERAGE ASKING TRIPLE NET LEASE RATE



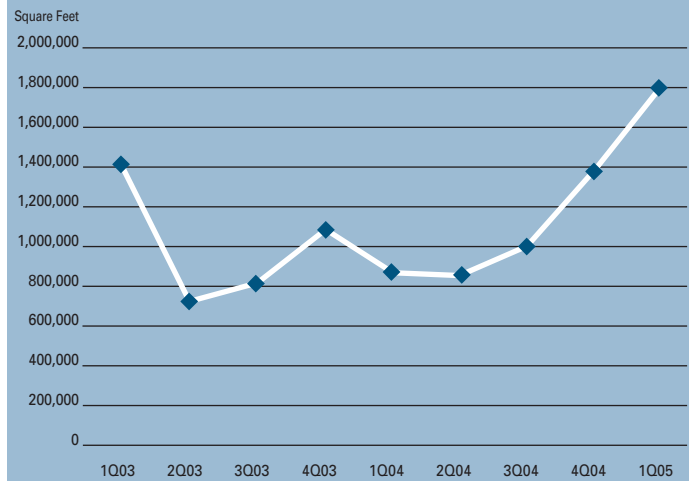
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS 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 1Q2005	Total Availability 1Q2005	Average Asking Lease Rate	Net Absorption 1Q2005	Net Absorption 2004
Central										
Downtown	15	469,917	0	0	56,045	11.93%	56,045	\$1.00	1,741	(42,386)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0
Central Total	16	499,917	0	0	56,045	11.21%	56,045	\$1.00	1,741	(42,386)
Central Suburban										
Airport/Sports Arena	14	274,813	0	0	0	0.00%	0	\$0.00	0	8,400
Kearny Mesa	142	4,209,975	33,000	58,458	383,349	9.11%	385,732	\$1.16	(123,501)	302,285
Mission Gorge	6	105,054	0	0	2,071	1.97%	2,071	\$1.10	(2,071)	4,566
Rose Canyon/Morena	27	479,306	0	0	754	0.16%	754	\$0.00	0	49,003
Central Suburban Total	189	5,069,148	33,000	58,458	386,174	7.62%	388,557	\$1.16	(125,572)	364,254
East County										
El Cajon	40	1,036,235	0	0	86,139	8.31%	93,639	\$0.81	(57,751)	15,489
La Mesa/Spring Valley	3	44,876	0	0	168	0.37%	168	\$0.00	(168)	0
Santee/Lakeside	15	232,901	0	0	11,500	4.94%	11,500	\$0.00	(7,500)	7,000
East County Total	58	1,314,012	0	0	97,807	7.44%	105,307	\$0.81	(65,419)	22,489
Highway 78 Corridor										
Oceanside	9	783,124	0	870,310	13,559	1.73%	13,559	\$0.00	501,690	(13,098)
San Marcos	16	440,241	0	0	27,359	6.21%	72,801	\$0.95	2,568	20,370
Vista/Fallbrook	46	1,462,145	0	0	82,217	5.62%	118,559	\$0.90	(134)	(45,104)
Highway 78 Corridor Total	71	2,685,510	0	870,310	123,135	4.59%	204,919	\$0.92	504,124	(37,832)
I-15 Corridor										
Escondido	10	157,734	0	0	14,885	9.44%	14,885	\$0.00	(8,900)	(3,990)
Poway	33	1,320,393	0	65,000	43,634	3.30%	183,534	\$0.95	21,633	(145,823)
Rancho Bernardo	71	4,417,520	102,550	127,000	471,490	10.67%	639,847	\$1.22	7,696	(48,108)
Scripps Ranch	15	648,455	0	80,000	69,832	10.77%	97,810	\$1.33	14,553	31,177
I-15 Corridor Total	129	6,544,102	102,550	272,000	599,841	9.17%	936,076	\$1.20	34,982	(166,744)
North City										
La Jolla	32	2,269,775	0	0	228,876	10.08%	337,602	\$2.09	9,463	(157,200)
Miramar	110	3,390,443	0	11,760	616,961	18.20%	787,311	\$1.44	18,048	(8,210)
Sorrento Mesa	120	5,519,997	42,570	82,454	596,203	10.80%	980,665	\$1.31	282,739	464,464
Sorrento Valley	66	1,771,256	0	0	279,464	15.78%	366,421	\$1.60	71,525	(119,465)
UTC Center	8	562,975	0	126,000	132,721	23.57%	132,721	\$1.15	14,000	0
North City Total	336	13,514,446	42,570	220,214	1,854,225	13.72%	2,604,720	\$1.41	395,775	179,589
North County										
Carlsbad	116	4,503,059	0	98,535	556,738	12.36%	1,043,807	\$1.19	(17,169)	(66,233)
North Beach Cities	6	100,050	0	125,000	4,649	4.65%	4,649	\$0.00	(600)	(4,029)
North County Total	122	4,603,109	0	223,535	561,387	12.20%	1,048,456	\$1.19	(17,769)	(70,262)
South Bay										
Chula Vista	23	917,847	0	72,475	130,580	14.23%	133,376	\$1.08	(8,425)	53,451
National City	15	254,668	0	0	3,199	1.26%	3,199	\$1.02	795	(219)
Otay Mesa	4	246,717	0	0	22,487	9.11%	118,128	\$0.00	(9,942)	(10,994)
San Ysidro	5	198,251	0	0	0	0.00%	0	\$0.00	18,692	(18,692)
South Bay Total	47	1,617,483	0	72,475	156,266	9.66%	254,703	\$1.08	1,120	23,546
San Diego County Total	968	35,847,727	178,120	1,716,992	3,834,880	10.70%	5,598,783	\$1.30	728,982	272,654

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 2005

SUBMARKETS

CENTRAL

Downtown
East City

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 Bernardo
Scripps Ranch

NORTH CITY

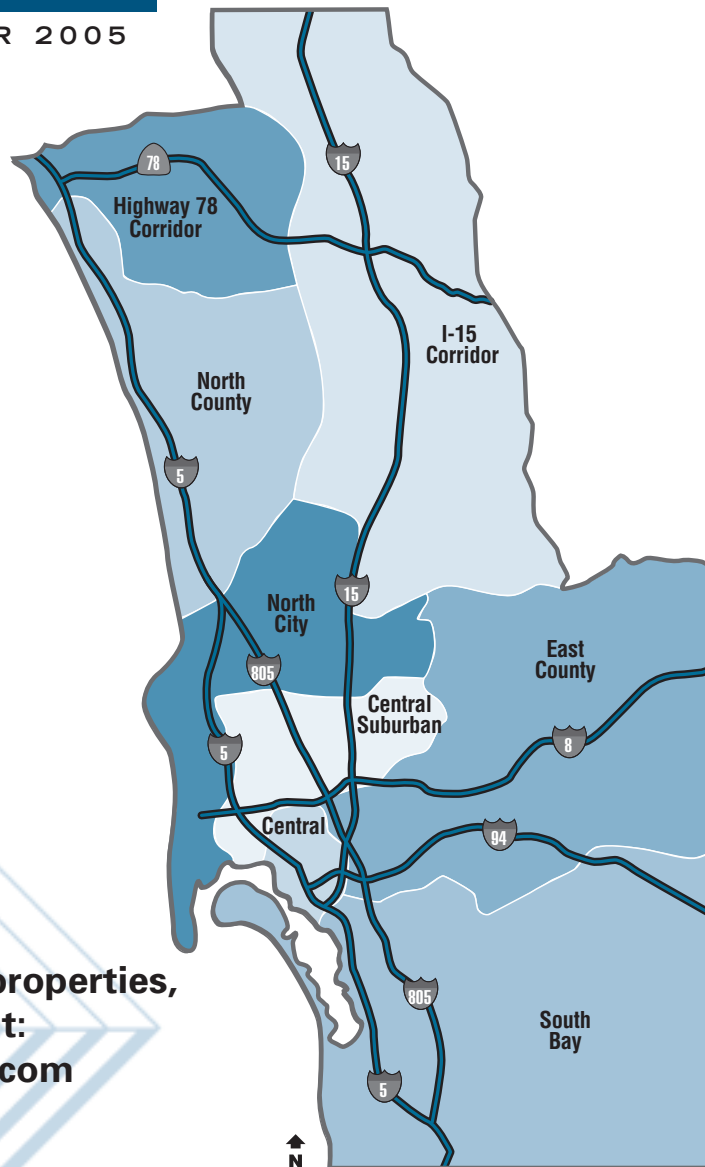
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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