

R & D MARKET REPORT

FIRST
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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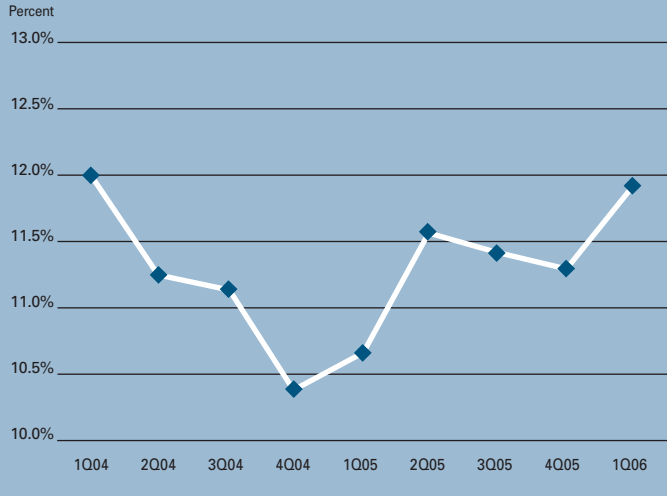
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2006 in San Diego County is 4.1%, which is a decrease of 0.1% since the fourth quarter of 2005 and down from the 4.7% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,800 new non-farm jobs in 2005, and they are forecasting 22,600 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 907,352 square feet of Research & Development construction underway, this figure is up 409.40% when compared to last year's first quarter number of 178,120 square feet. 171,224 square feet of new R&D development was delivered during the first quarter of 2006.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 994,976 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,716,992 square feet.
- ◆ The Research & Development vacancy rate is 11.95%, which is a little higher than it was during the fourth quarter of 2005 when it was 11.28% and is higher than last years figure of 10.70%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.37, which is a 1.54% increase over last year's first quarter rate of \$1.30. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 36,755 square feet of negative net absorption during the first quarter of 2006, giving the San Diego Research & Development Market a total of 1.9 million square feet of positive absorption for the last six quarters.

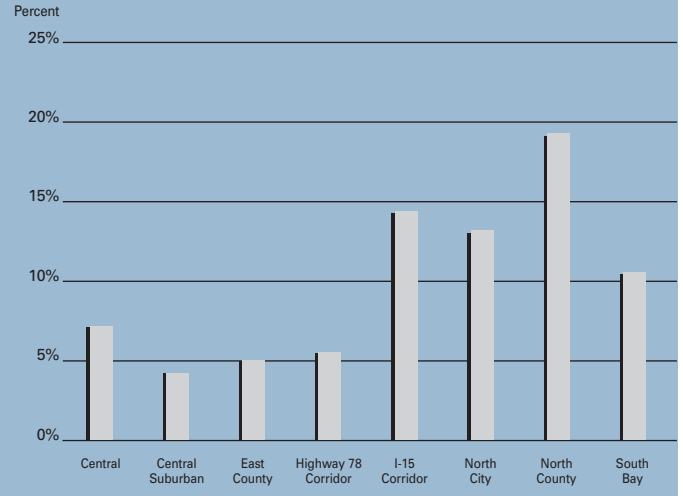
R&D MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	907,352	787,806	178,120	409.40%
Planned Construction	994,976	1,058,847	1,716,992	-42.05%
Vacancy	11.95%	11.28%	10.70%	11.68%
Availability	16.02%	13.85%	15.62%	2.56%
Pricing	\$1.32	\$1.37	\$1.30	1.54%
Net Absorption	-36,755	66,485	728,982	N/A

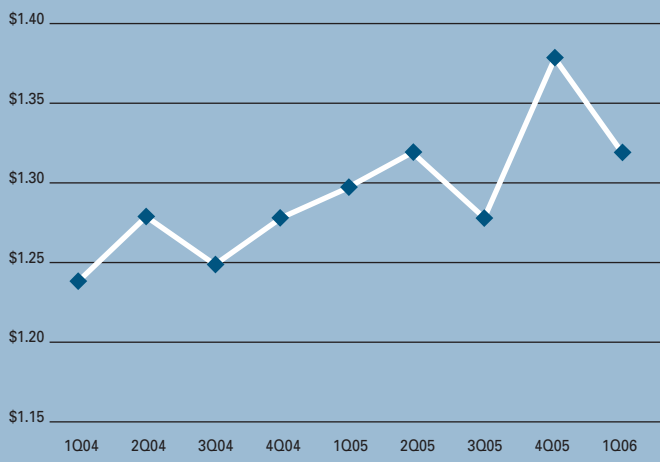
VACANCY RATE



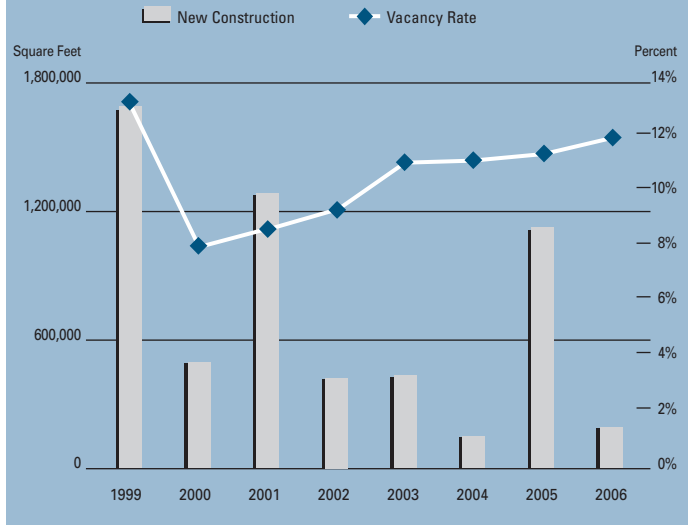
VACANCY RATE BY SUBMARKET



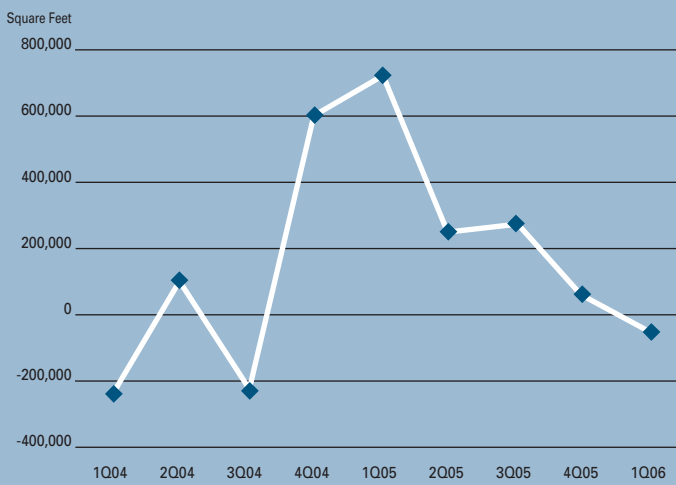
AVERAGE ASKING TRIPLE NET LEASE RATE



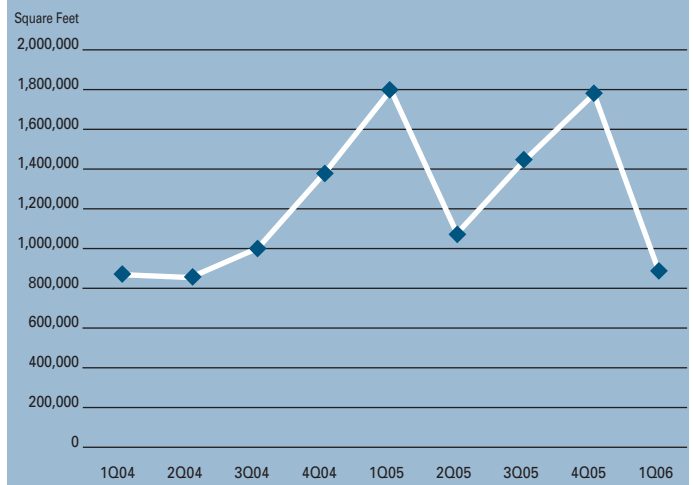
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 1Q2006	Total Availability 1Q2006	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005
Central										
Downtown	14	443,773	0	0	34,088	7.68%	34,088	\$0.00	(19,660)	43,358
East City	1	30,000	0	0	0	0.00%	0	\$0.00	390	(390)
Central Total	15	473,773	0	0	34,088	7.20%	34,088	\$0.00	(19,270)	42,968
Central Suburban										
Airport/Sports Arena	11	226,813	0	0	8,950	3.95%	8,950	\$0.00	(8,950)	0
Kearny Mesa	144	4,232,126	0	57,691	178,760	4.22%	251,789	\$1.24	30,382	224,560
Mission Gorge	6	105,054	0	0	5,872	5.59%	5,872	\$0.00	(2,936)	(2,936)
Rose Canyon/Morena	29	519,607	0	0	13,306	2.56%	13,306	\$0.00	842	(13,394)
Central Suburban Total	190	5,083,600	0	57,691	206,888	4.07%	279,917	\$1.24	19,338	208,230
East County										
El Cajon	41	1,059,630	0	0	63,343	5.98%	81,682	\$0.85	(11,503)	(15,952)
La Mesa/Spring Valley	4	61,235	0	0	5,000	8.17%	5,000	\$0.00	0	(5,000)
Santee/Lakeside	15	232,901	0	0	0	0.00%	1,500	\$0.00	2,000	2,000
East County Total	60	1,353,766	0	0	68,343	5.05%	88,182	\$0.85	(9,503)	(18,952)
Highway 78 Corridor										
Oceanside	13	841,176	0	0	53,075	6.31%	57,075	\$1.10	21,348	505,299
San Marcos	15	412,961	0	0	25,737	6.23%	68,537	\$0.00	(9,415)	(5,155)
Vista/Fallbrook	45	1,416,462	0	75,000	76,134	5.37%	250,885	\$0.82	(4,676)	42,365
Highway 78 Corridor Total	73	2,670,599	0	75,000	154,946	5.80%	376,497	\$0.87	7,257	542,509
I-15 Corridor										
Escondido	14	273,972	0	0	75,202	27.45%	80,978	\$1.26	19,880	(7,223)
Poway	33	1,407,298	30,011	65,000	390,203	27.73%	581,678	\$1.24	306	(28,008)
Rancho Bernardo	73	4,805,473	75,000	52,000	510,998	10.63%	834,202	\$1.24	148,969	85,984
Scripps Ranch	15	648,455	0	80,000	43,560	6.72%	43,560	\$0.95	0	40,825
I-15 Corridor Total	135	7,135,198	105,011	197,000	1,019,963	14.29%	1,540,418	\$1.21	169,155	91,578
North City										
La Jolla	34	2,488,150	0	0	268,004	10.77%	397,437	\$2.68	0	3,104
Miramar	111	3,460,989	0	0	510,741	14.76%	669,010	\$1.30	(31,800)	160,391
Sorrento Mesa	127	5,621,891	373,454	0	712,563	12.67%	783,609	\$1.39	(56,880)	233,779
Sorrento Valley	67	1,631,516	0	0	201,329	12.34%	295,285	\$1.74	23,469	188,459
UTC Center	9	580,301	64,000	84,000	133,731	23.05%	133,731	\$1.15	0	12,990
North City Total	348	13,782,847	437,454	84,000	1,826,368	13.25%	2,279,072	\$1.49	(65,211)	598,723
North County										
Carlsbad	122	4,693,550	236,343	581,285	920,752	19.62%	1,133,337	\$1.20	(119,531)	(134,464)
North Beach Cities	6	109,450	0	0	7,600	6.94%	7,600	\$0.00	(2,951)	0
North County Total	128	4,803,000	236,343	581,285	928,352	19.33%	1,140,937	\$1.20	(122,482)	(134,464)
South Bay										
Chula Vista	26	964,222	128,544	0	70,894	7.35%	75,165	\$1.32	30,707	84,568
National City	15	254,668	0	0	17,367	6.82%	17,367	\$1.02	7,462	(20,835)
Otay Mesa	4	246,717	0	0	89,478	36.27%	89,478	\$0.00	(54,208)	(22,725)
San Ysidro	5	198,251	0	0	0	0.00%	0	\$0.00	0	18,692
South Bay Total	50	1,663,858	128,544	0	177,739	10.68%	182,010	\$1.32	(16,039)	59,700
San Diego County Total	999	36,966,641	907,352	994,976	4,416,687	11.95%	5,921,121	\$1.32	(36,755)	1,390,292

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 2006

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

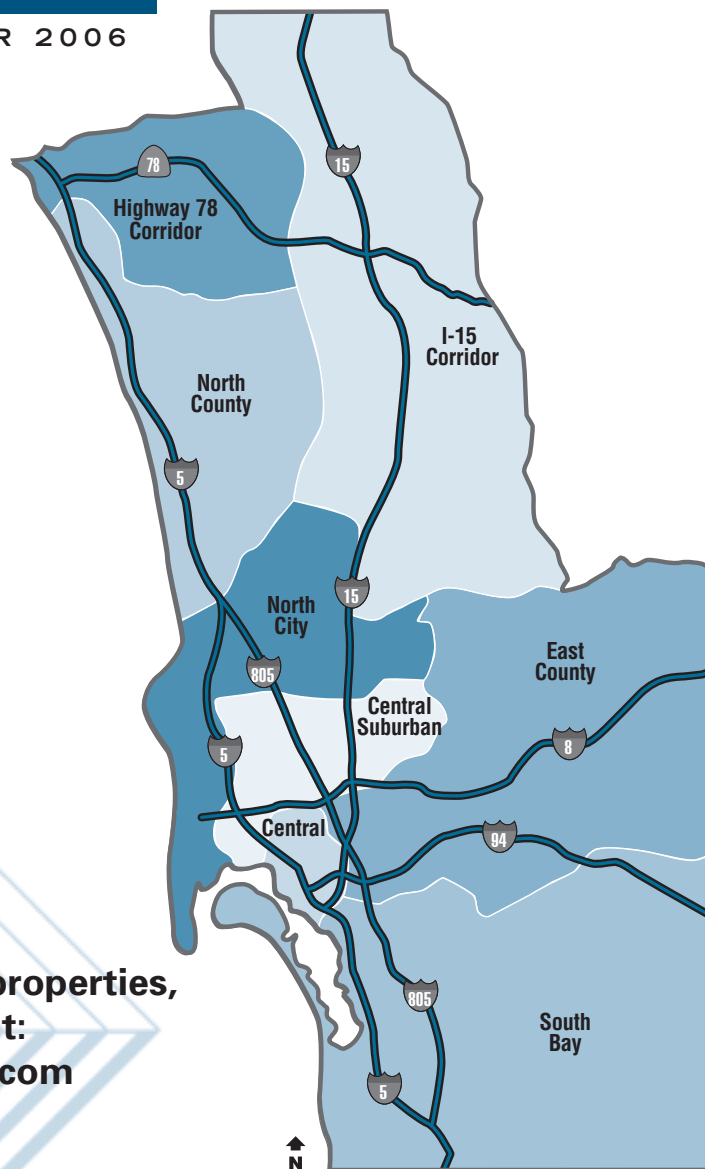
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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