

R & D MARKET REPORT

FIRST
QUARTER
2007

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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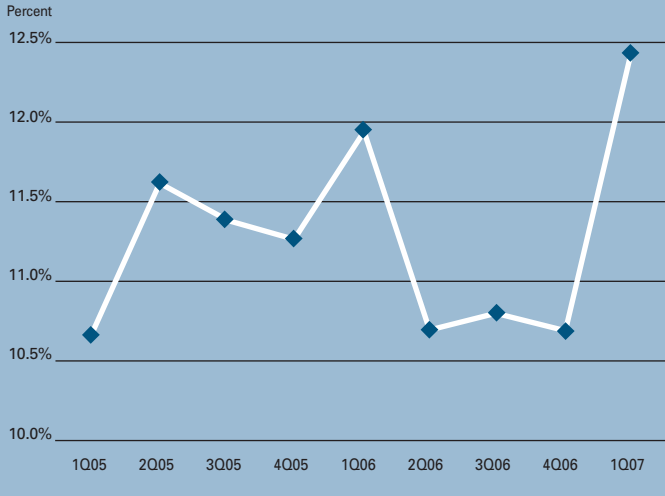
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2007 in San Diego County is 4.2%, which is 0.3% higher than it was when compared to the fourth quarter of 2006, and the same as it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 61,226 square feet of Research & Development construction underway, this figure is down 93.25% when compared to last year's first quarter number of 907,352 square feet. Although, 277,676 square feet of new R&D development was delivered during the first quarter of 2007.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,603,812 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 994,976 square feet.
- ◆ The Research & Development vacancy rate is 12.46%, which is higher than it was during the fourth quarter of 2006 when it was 10.70% and is higher than last years figure of 11.95%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.42, which is a 7.58% increase over last year's first quarter rate of \$1.32. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 314,144 square feet of negative net absorption during the first quarter of 2007.

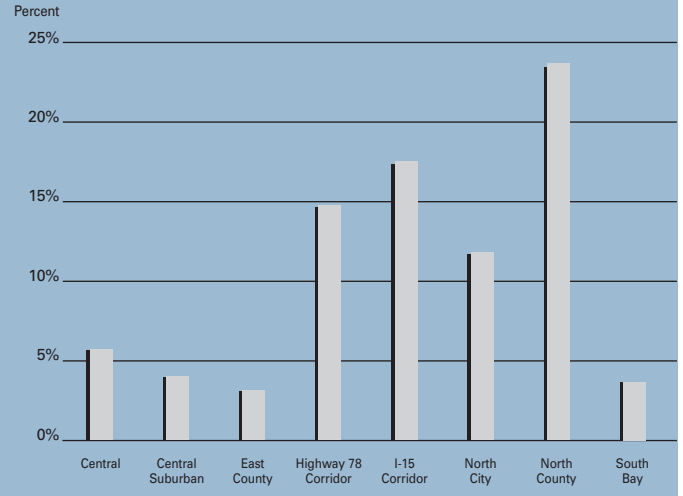
R&D MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	61,226	291,444	907,352	-93.25%
Planned Construction	1,603,812	1,118,855	994,976	61.19%
Vacancy	12.46%	10.70%	11.95%	4.27%
Availability	14.96%	14.62%	16.02%	-6.62%
Pricing	\$1.42	\$1.54	\$1.32	7.58%
Net Absorption	-314,144	217,540	-36,755	N/A

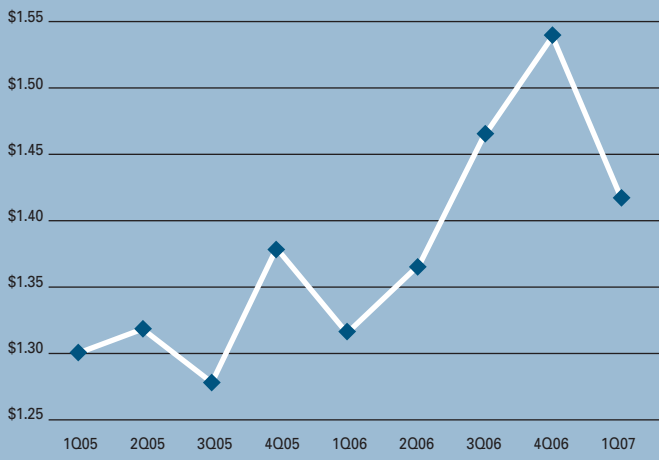
VACANCY RATE



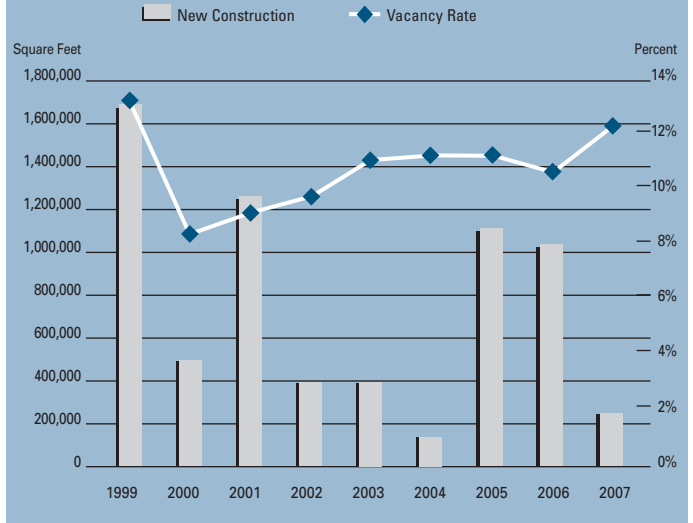
VACANCY RATE BY SUBMARKET



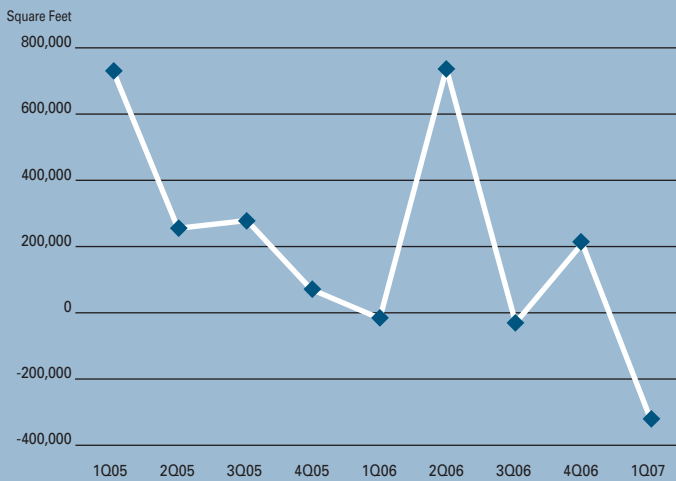
AVERAGE ASKING TRIPLE NET LEASE RATE



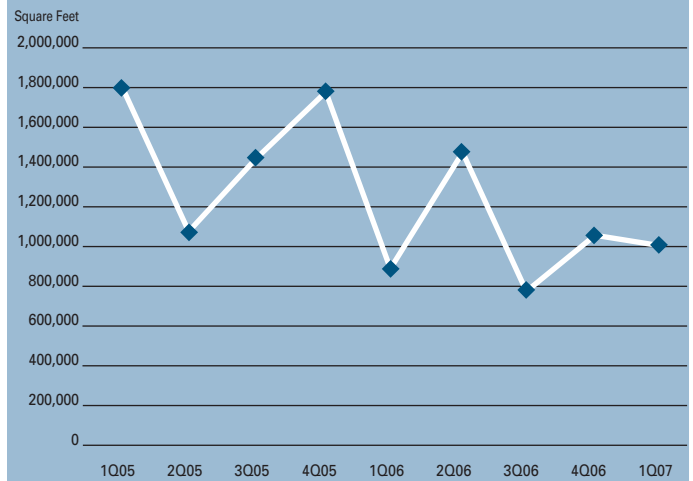
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 1Q2007	Total Availability 1Q2007	Average Asking Lease Rate	Net Absorption 1Q2007	Net Absorption 2006
Central										
Downtown	13	382,488	0	0	24,013	6.28%	21,513	\$0.00	(6,098)	(2,387)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	390
Central Total	14	412,488	0	0	24,013	5.82%	21,513	\$0.00	(6,098)	(1,997)
Central Suburban										
Airport/Sports Arena	12	237,201	0	0	12,500	5.27%	12,500	\$0.00	1,400	(13,400)
Kearny Mesa	158	4,461,719	0	57,691	179,036	4.01%	479,974	\$1.32	(7,159)	66,336
Mission Gorge	7	116,289	0	0	3,905	3.36%	3,905	\$0.00	(969)	0
Rose Canyon/Morena	38	684,015	0	0	21,282	3.11%	27,305	\$1.55	(1,128)	(806)
Central Suburban Total	215	5,499,224	0	57,691	216,723	3.94%	523,684	\$1.32	(7,856)	52,130
East County										
El Cajon	45	1,100,739	0	0	35,947	3.27%	69,822	\$0.90	30,990	(17,656)
La Mesa/Spring Valley	10	177,283	0	0	837	0.47%	15,463	\$0.00	(837)	5,000
Santee/Lakeside	16	221,425	0	590,000	8,150	3.68%	1,700	\$0.00	0	(8,150)
East County Total	71	1,499,447	0	590,000	44,934	3.00%	86,985	\$0.90	30,153	(20,806)
Highway 78 Corridor										
Oceanside	27	1,061,710	61,226	0	167,083	15.74%	167,083	\$0.00	6,844	15,613
San Marcos	22	534,488	0	142,500	84,160	15.75%	84,160	\$2.05	4,324	(26,643)
Vista/Fallbrook	51	1,460,550	0	52,736	204,490	14.00%	182,173	\$1.03	(21,079)	(21,881)
Highway 78 Corridor Total	100	3,056,748	61,226	195,236	455,733	14.91%	433,416	\$1.14	(9,911)	(32,911)
I-15 Corridor										
Escondido	22	413,912	0	0	1,376	0.33%	4,318	\$0.00	1,124	101,082
Poway	33	1,403,237	0	65,000	486,844	34.69%	303,793	\$1.28	(24,372)	(96,467)
Rancho Bernardo	70	4,768,452	0	0	778,515	16.33%	1,038,667	\$1.61	25,198	131,795
Scripps Ranch	19	843,835	0	0	47,265	5.60%	47,265	\$1.20	(23,580)	30,223
I-15 Corridor Total	144	7,429,436	0	65,000	1,314,000	17.69%	1,394,043	\$1.44	(21,630)	166,633
North City										
La Jolla	34	2,427,487	0	0	456,526	18.81%	552,651	\$2.24	(58,150)	(120,772)
Miramar	117	3,642,259	0	83,930	400,087	10.98%	475,293	\$1.15	3,589	91,746
Sorrento Mesa	131	5,940,779	0	0	582,666	9.81%	855,495	\$1.36	(49,782)	419,089
Sorrento Valley	65	1,573,935	0	0	218,274	13.87%	243,312	\$1.92	(118,292)	115,241
UTC Center	11	688,761	0	239,123	16,752	2.43%	16,752	\$2.85	(16,752)	133,731
North City Total	358	14,273,221	0	323,053	1,674,305	11.73%	2,143,503	\$1.43	(239,387)	639,035
North County										
Carlsbad	129	4,178,325	0	324,832	1,010,553	24.19%	1,030,297	\$1.33	(112,236)	(11,906)
North Beach Cities	7	120,793	0	0	0	0.00%	600	\$0.00	2,260	2,889
North County Total	136	4,299,118	0	324,832	1,010,553	23.51%	1,030,897	\$1.33	(109,976)	(9,017)
South Bay										
Chula Vista	48	1,387,509	0	48,000	45,961	3.31%	54,689	\$1.36	10,767	166,692
National City	20	325,468	0	0	17,881	5.49%	17,881	\$0.00	13,006	(2,593)
Otay Mesa	4	246,717	0	0	8,482	3.44%	8,482	\$0.00	26,788	0
San Ysidro	5	181,563	0	0	0	0.00%	61,674	\$0.00	0	0
South Bay Total	77	2,141,257	0	48,000	72,324	3.38%	142,726	\$1.36	50,561	164,099
San Diego County Total	1,115	38,610,939	61,226	1,603,812	4,812,585	12.46%	5,776,767	\$1.42	(314,144)	957,166

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 2007

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

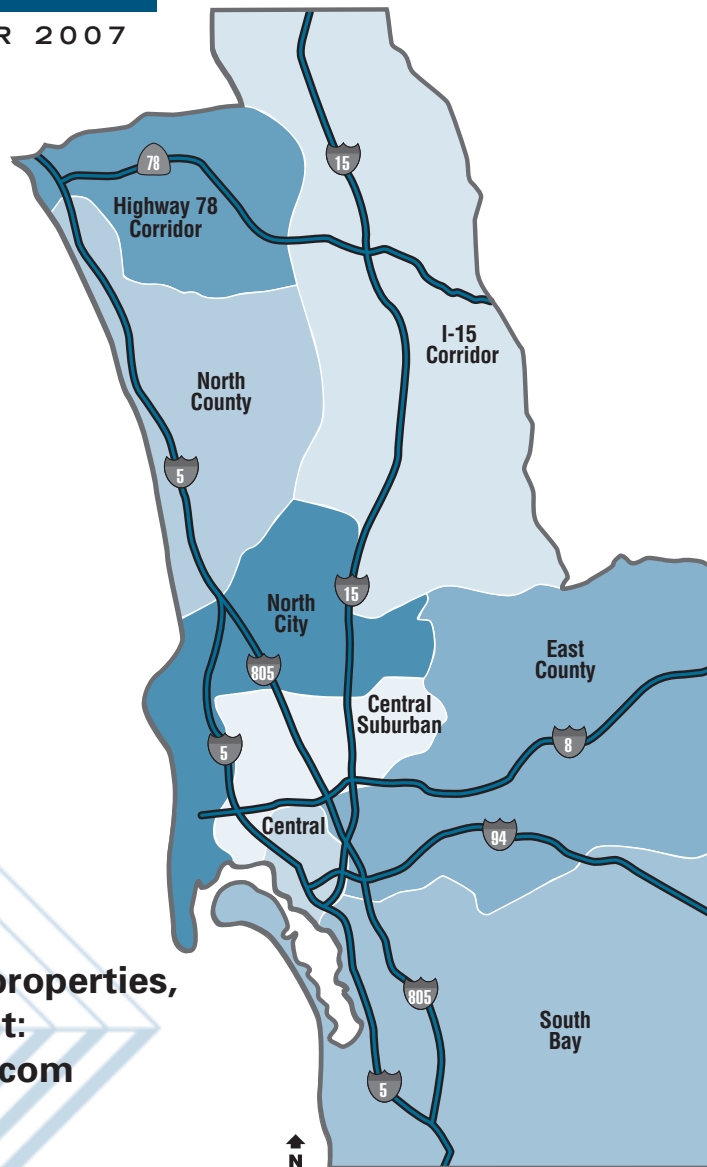
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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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.