



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption



DOWN

Lease Rates



UP

Construction



DOWN

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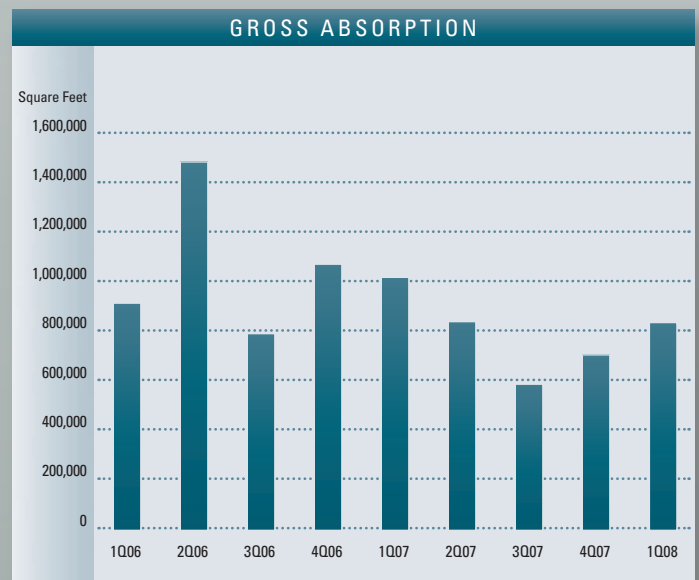
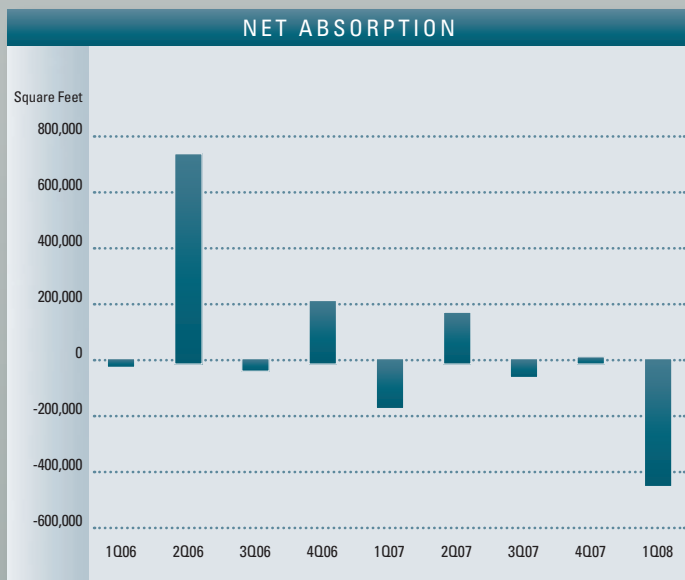
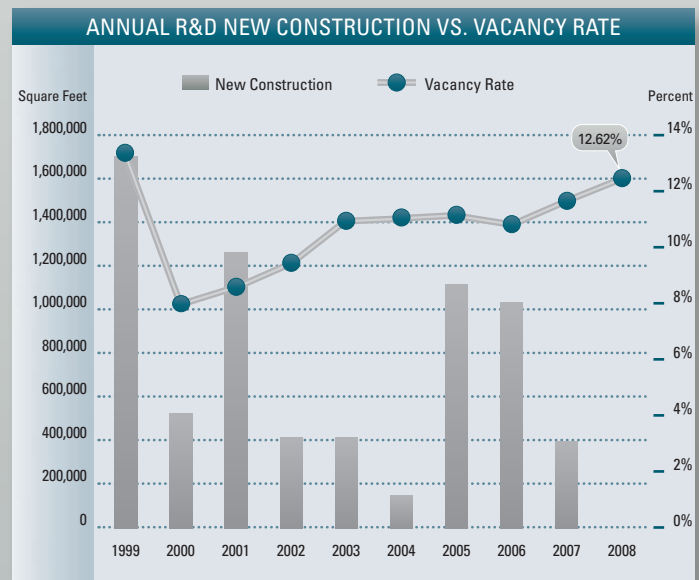
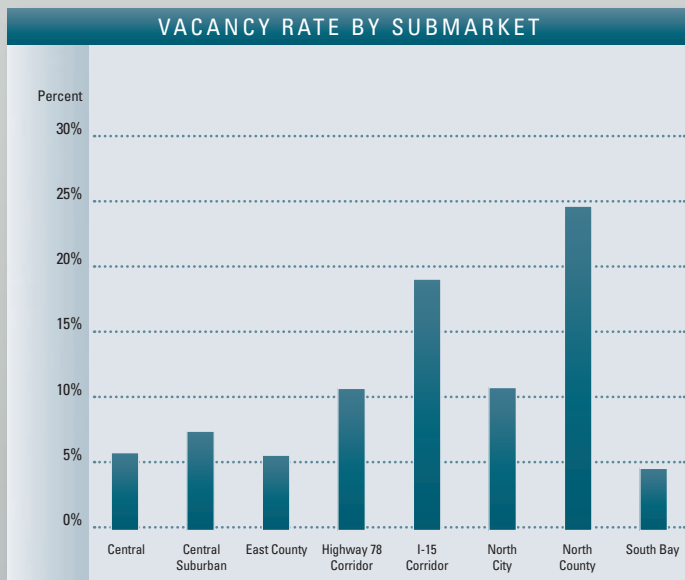
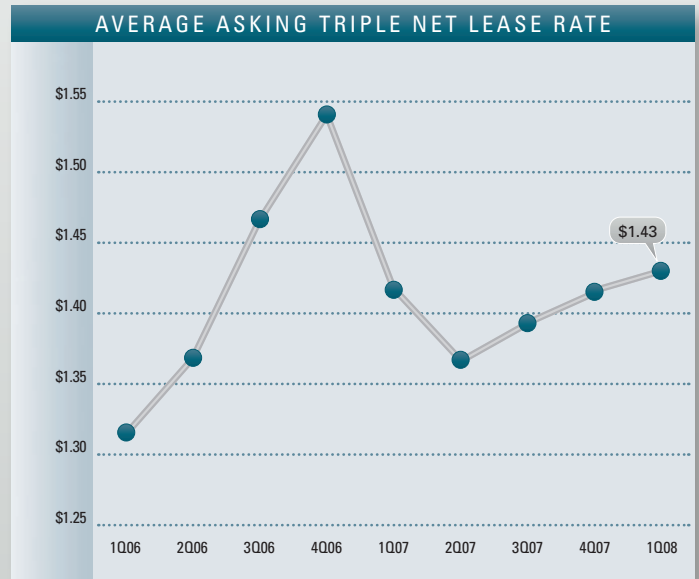
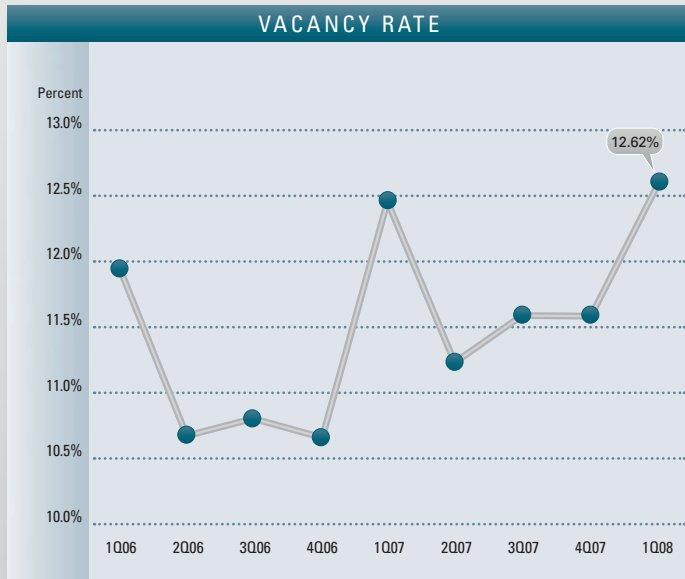
Market Highlights

- ◆ The Research & Development vacancy rate is 12.62% this quarter, which is higher than it was during the fourth quarter of 2007 when it was 11.62%, and is slightly higher than last year's figure of 12.46%. One of the lowest vacancy rates in the county can be found in the South Bay submarket, coming in at 4.37%. This lack of supply is creating constrained demand for Research & Development space in the San Diego County area and is putting upward pressure on lease rates.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.43, which is higher than last year's first quarter rate of \$1.42. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.61 per square foot. Rental rates are expected to increase 1% to 3% in 2008.
- ◆ Research & Development absorption checked in a negative net 436,813 square feet during the first quarter of 2008, after having a total of 133,489 square feet of negative absorption for 2007. Most of the negative absorption occurred in Central Suburban and I-15 Corridor submarkets: 152,980 and 133,208 square feet respectively.
- ◆ According to the State of California Employment Development Department, San Diego County added 300 payroll jobs over the last twelve months. Between January 2008 and February 2008 San Diego County gained 3,500 jobs, mostly in the government, leisure and hospitality sectors.
- ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 non-farm jobs with a 4.1% increase in total personal income in 2008, and they are forecasting 19,800 new jobs for 2009.
- ◆ The unemployment rate in San Diego County was 5.0% in February 2008, down from the revised 5.2% percent in January 2008, but above the year ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 6.1 percent for California and 5.2 percent for the nation during the same period.
- ◆ Currently there is 229,908 square feet of Research & Development construction underway. This figure is up when compared to last year's first quarter number of 61,226 square feet. Although no new development was delivered during the first quarter of 2008.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 1.3 million square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1.6 million square feet.

R & D MARKET OVERVIEW

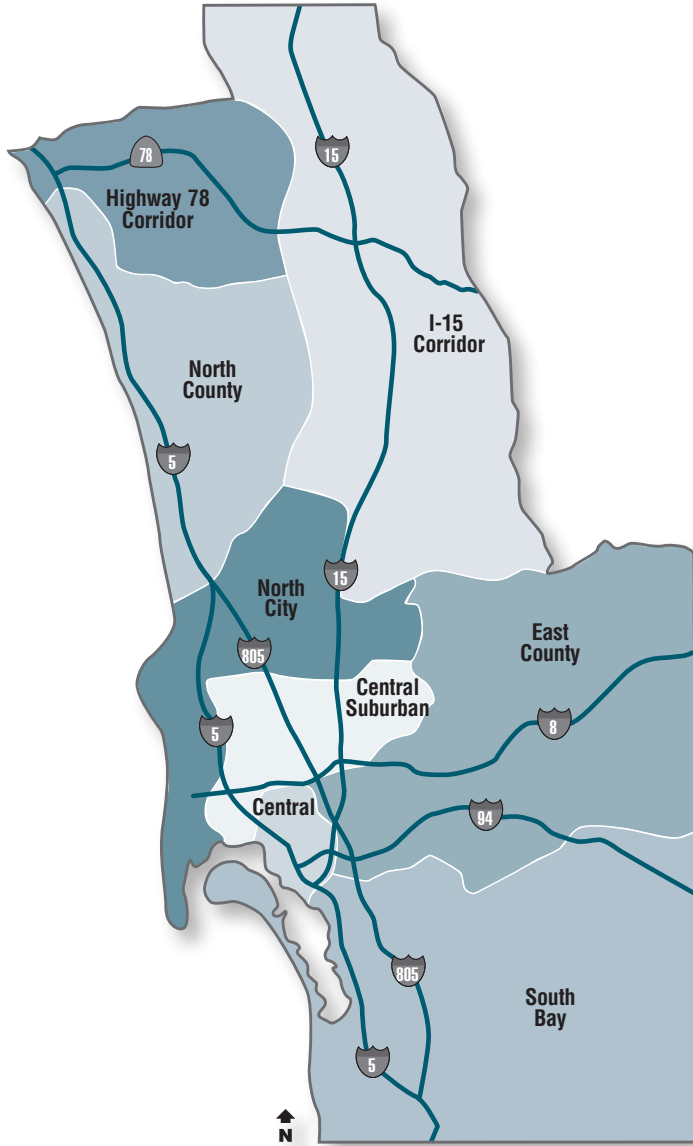
	1Q2008	4Q2007	1Q2007	% CHANGE VS. 1Q07
Under Construction	229,908	557,937	61,226	275.51%
Planned Construction	1,324,211	1,477,369	1,603,812	-17.43%
Vacancy	12.62%	11.61%	12.46%	1.28%
Availability	14.92%	15.18%	14.96%	-0.27%
Pricing	\$1.43	\$1.42	\$1.42	0.70%
Net Absorption	-436,813	12,710	-314,144	N/A

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	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2008	Total Availability 1Q2008	Average Asking Lease Rate	Net Absorption 1Q2008	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
Central												
Downtown	14	393,054	0	0	25,098	6.39%	47,098	\$0.00	0	(7,183)	(2,387)	43,358
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0	390	(390)
Central Total	15	423,054	0	0	25,098	5.93%	47,098	\$0.00	0	(7,183)	(1,997)	42,968
Central Suburban												
Airport/Sports Arena	13	248,201	0	0	14,300	5.76%	14,300	\$1.30	465	2,135	(13,400)	0
Kearny Mesa	163	4,413,940	0	57,691	359,432	8.14%	395,231	\$1.25	(170,340)	(15,815)	66,336	224,560
Mission Gorge	10	149,469	0	0	8,710	5.83%	8,710	\$1.15	1,050	2,581	0	(2,936)
Rose Canyon/Morena	34	625,720	0	0	18,065	2.89%	16,622	\$1.00	15,845	(13,756)	(806)	(13,394)
Central Suburban Total	220	5,437,330	0	57,691	400,507	7.37%	434,863	\$1.25	(152,980)	(24,855)	52,130	208,230
East County												
El Cajon	48	1,124,525	0	0	91,365	8.12%	122,539	\$0.95	(29,903)	7,975	(17,656)	(15,952)
La Mesa/Spring Valley	9	157,407	0	0	2,913	1.85%	2,913	\$0.00	675	(871)	5,000	(5,000)
Santee/Lakeside	29	413,741	0	590,000	2,150	0.52%	2,150	\$0.00	288	2,352	(8,150)	2,000
East County Total	86	1,695,673	0	590,000	96,428	5.69%	127,602	\$0.95	(28,940)	9,456	(20,806)	(18,952)
Highway 78 Corridor												
Oceanside	27	1,052,978	0	0	155,387	14.76%	168,692	\$1.50	4,283	28,638	15,613	505,299
San Marcos	23	484,128	0	0	51,334	10.60%	49,921	\$1.29	5,108	7,490	(26,643)	(5,155)
Vista/Fallbrook	43	1,383,577	75,000	41,842	108,680	7.86%	203,326	\$1.01	(5,775)	17,739	(21,881)	42,365
Highway 78 Corridor Total	93	2,920,683	75,000	41,842	315,401	10.80%	421,939	\$1.09	3,616	53,867	(32,911)	542,509
I-15 Corridor												
Escondido	26	478,277	0	0	7,074	1.48%	7,074	\$0.00	6,618	(9,174)	101,082	(7,223)
Poway	54	1,201,655	0	65,000	380,522	31.67%	272,016	\$1.50	(7,896)	(101,976)	(96,467)	(28,008)
Rancho Bernardo	77	4,690,967	0	0	904,026	19.27%	998,303	\$1.55	(125,577)	(63,347)	131,795	85,984
Scripps Ranch	21	685,271	0	0	41,227	6.02%	98,727	\$1.24	(6,353)	(8,549)	30,223	40,825
I-15 Corridor Total	178	7,056,170	0	65,000	1,332,849	18.89%	1,376,120	\$1.48	(133,208)	(183,046)	166,633	91,578
North City												
La Jolla	35	2,555,568	0	0	450,842	17.64%	505,133	\$2.39	31,022	(41,488)	(120,772)	3,104
Miramar	116	3,588,472	0	83,930	267,125	7.44%	351,944	\$1.15	9,015	72,537	91,746	160,391
Sorrento Mesa	143	6,240,205	0	0	758,680	12.16%	1,010,328	\$1.49	(127,319)	(53,655)	419,089	233,779
Sorrento Valley	70	1,771,859	0	0	124,514	7.03%	209,549	\$2.37	65,550	(118,676)	115,241	188,459
UTC Center	13	860,221	83,966	161,871	16,752	1.95%	16,752	\$2.95	0	(15,158)	133,731	12,990
North City Total	377	15,016,325	83,966	245,801	1,617,913	10.77%	2,093,706	\$1.61	(21,732)	(156,440)	639,035	598,723
North County												
Carlsbad	133	3,925,749	42,298	323,877	988,502	25.18%	960,906	\$1.23	(73,552)	110,256	(11,906)	(134,464)
North Beach Cities	8	133,527	0	0	5,773	4.32%	5,773	\$0.00	(1,200)	(2,313)	2,889	0
North County Total	141	4,059,276	42,298	323,877	994,275	24.49%	966,679	\$1.23	(74,752)	107,943	(9,017)	(134,464)
South Bay												
Chula Vista	54	1,422,903	28,644	0	51,773	3.64%	195,543	\$1.24	(6,691)	13,646	166,692	84,568
National City	19	315,468	0	0	15,212	4.82%	15,212	\$0.00	(3,310)	18,985	(2,593)	(20,835)
Otay Mesa	2	102,452	0	0	1,132	1.10%	1,132	\$0.00	0	34,138	0	(22,725)
San Ysidro	4	147,014	0	0	18,816	12.80%	80,610	\$0.75	(18,816)	0	0	18,692
South Bay Total	79	1,987,837	28,644	0	86,933	4.37%	292,497	\$0.87	(28,817)	66,769	164,099	59,700
San Diego County Total	1,189	38,596,348	229,908	1,324,211	4,869,404	12.62%	5,760,504	\$1.43	(436,813)	(133,489)	957,166	1,390,292

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



PRODUCT TYPE

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.

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