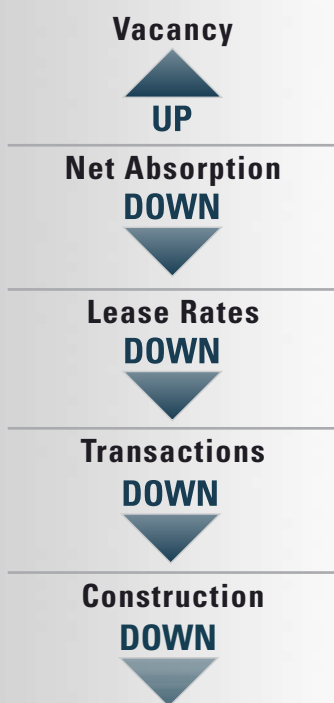




R&D Market Report

VOIT COMMERCIAL BROKERAGE

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Market Highlights

- ◆ The San Diego County Research & Development market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the Research & Development market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Research & Development vacancy rate is 14.96% this quarter, which is higher than last quarter when it was 13.71%, and is higher than last year's figure of 12.18%. One of the lowest vacancy rates in the county can be found in the South Bay submarket, coming in at 7.23%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.33, which is lower than last year's fourth quarter rate of \$1.43. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.46 per square foot. Lease rates are expected to remain soft for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.
- ◆ The level of activity registered at 548,969 square feet for the first quarter of 2009. This is down from the 1.1 million square feet of activity when compared to the same quarter last year, but still below the 2008 average of 750,000 square feet per quarter. This recent drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide

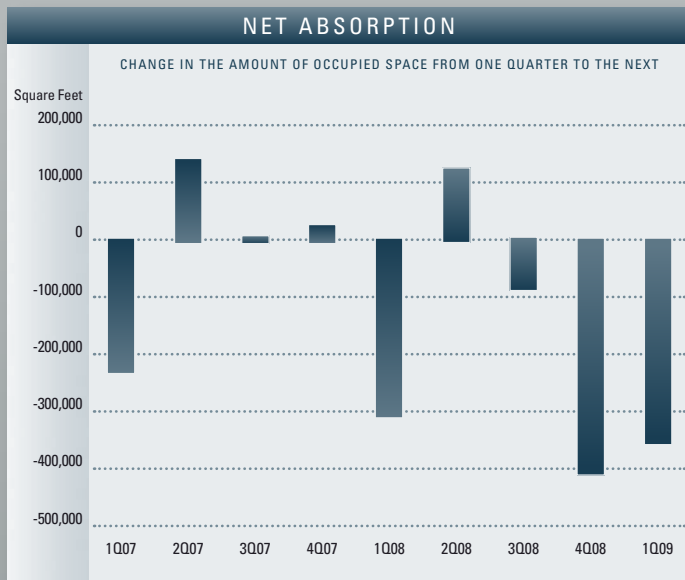
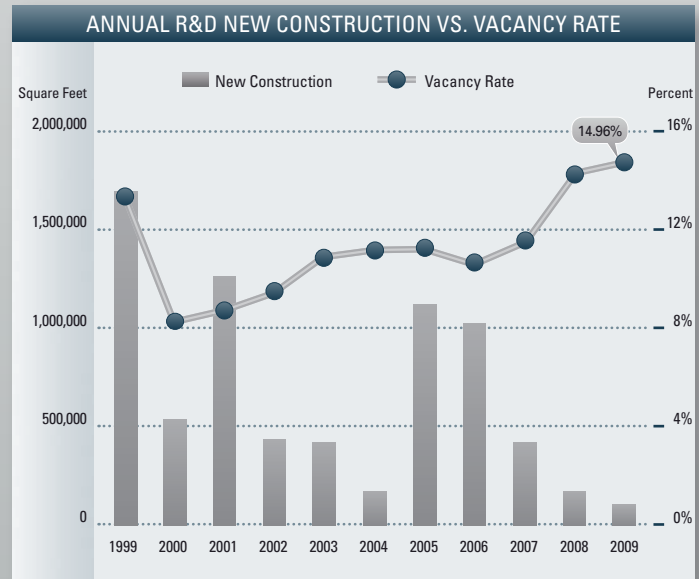
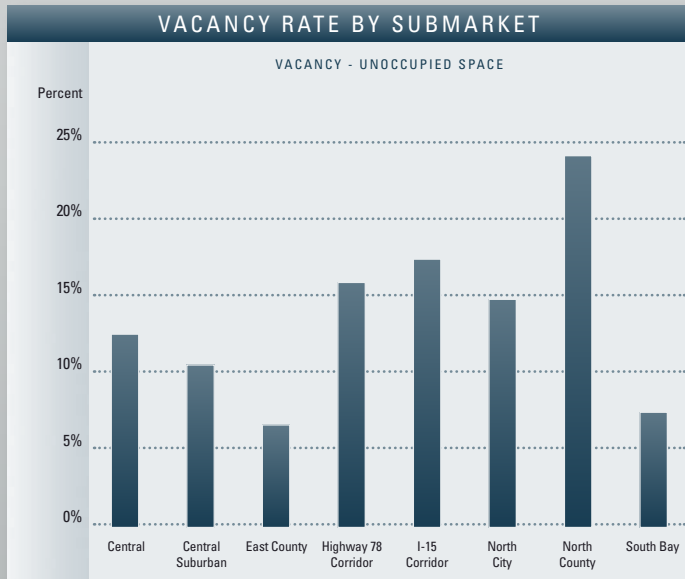
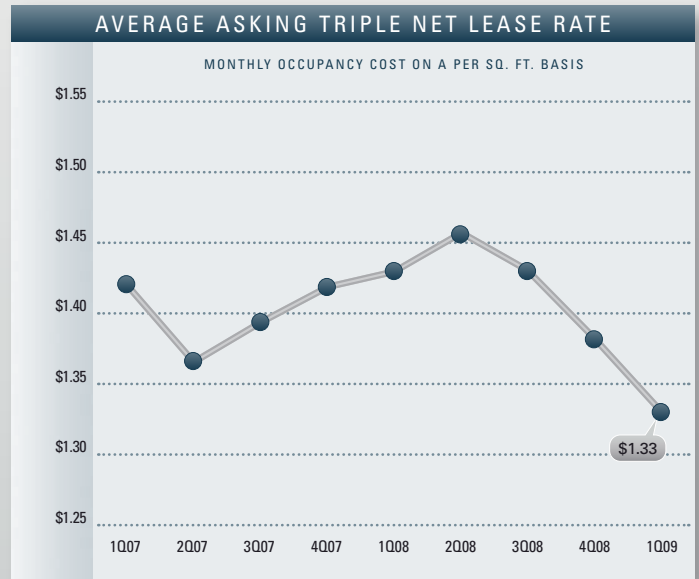
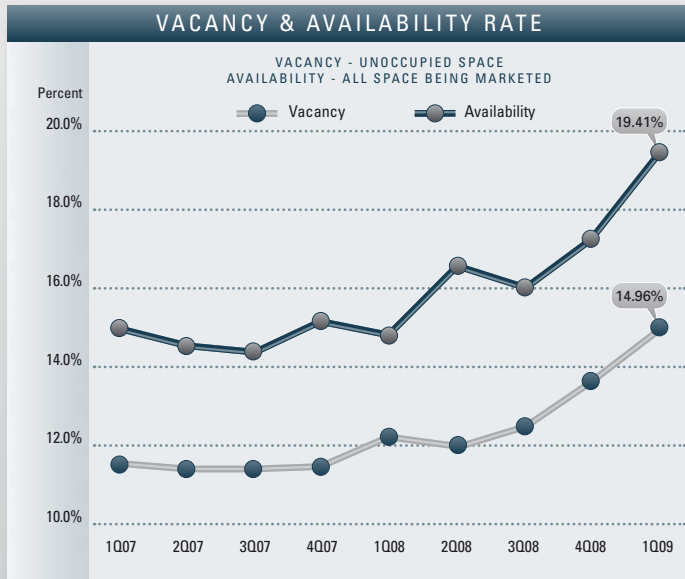
area of topics. The recent lack of activity can be tied to the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

- ◆ Research & Development net absorption checked in at a negative 358,998 square feet during the first quarter of 2009, after having a total of 716,212 square feet of negative absorption for 2008. Most of the negative absorption occurred in the Central Suburban and the I-15 Corridor submarkets: 143,892 and 109,341 square feet respectively.
- ◆ According to the State of California Employment Development Department, San Diego County lost 37,900 payroll jobs over the last twelve months. Between January 2009 and February 2009 San Diego County lost 2,700 jobs, mostly in the retail trade, transportation & utilities and construction sectors.
- ◆ The unemployment rate in San Diego County was 8.8% in February 2009. This is up from a revised 8.7% percent in January 2009, and above the year ago estimate of 5.0%. This compares with an unadjusted unemployment rate of 10.9 percent for California and 8.9 percent for the nation during the same period.
- ◆ Currently there is 51,517 square feet of Research & Development construction underway, and total construction is down just under 77.59% when compared to a year ago.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 1.05 million square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1.32 million square feet.

R & D MARKET OVERVIEW

	1Q2009	4Q2008	1Q2008	% CHANGE VS. 1Q08
Under Construction	51,517	128,539	229,908	-77.59%
Planned Construction	1,047,500	1,047,500	1,324,211	-20.90%
Vacancy	14.96%	13.71%	12.18%	22.82%
Availability	19.41%	17.23%	14.92%	30.09%
Avg. Ask Lease Rate	\$1.33	\$1.38	\$1.43	-6.99%
Transactions	548,969	686,839	1,075,647	-48.96%
Net Absorption	-358,998	-407,963	-306,637	N/A

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	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2009	Total Availability 1Q2009	Average Asking Lease Rate	Net Absorption 1Q2009	Net Absorption 2008	Gross Absorption 1Q2009	Gross Absorption 2008
Central												
Downtown	10	252,366	0	0	33,001	13.08%	55,001	\$0.00	(9,613)	(4,170)	3,726	0
East City	1	30,000	0	0	1,830	6.10%	1,830	\$0.00	0	(1,830)	0	0
Central Total	11	282,366	0	0	34,831	12.34%	56,831	\$0.00	(9,613)	(6,000)	3,726	0
Central Suburban												
Airport/Sports Arena	15	293,801	0	0	40,326	13.73%	40,326	\$1.25	(19,600)	(3,655)	0	1,320
Kearny Mesa	169	4,838,493	0	57,691	566,328	11.70%	614,546	\$1.37	(123,484)	(337,488)	114,035	366,871
Mission Gorge	10	154,916	0	0	5,596	3.61%	22,451	\$1.05	(4,156)	1,840	0	5,312
Rose Canyon/Morena	35	648,596	0	0	9,575	1.48%	19,246	\$1.50	3,348	20,987	4,100	47,726
Central Suburban Total	229	5,935,806	0	57,691	621,825	10.48%	696,569	\$1.36	(143,892)	(318,316)	118,135	421,229
East County												
El Cajon	38	763,642	0	0	76,091	9.96%	83,198	\$0.87	(26,579)	(18,202)	4,327	39,124
La Mesa/Spring Valley	10	171,730	0	0	4,887	2.85%	3,762	\$0.00	(688)	(611)	1,622	10,058
Santee/Lakeside	29	413,741	0	590,000	4,154	1.00%	4,154	\$0.00	(2,100)	384	1,100	2,438
East County Total	77	1,349,113	0	590,000	85,132	6.31%	91,114	\$0.87	(29,367)	(18,429)	7,049	51,620
Highway 78 Corridor												
Oceanside	24	980,603	0	0	186,991	19.07%	189,361	\$0.00	(46,037)	15,307	6,823	44,925
San Marcos	27	516,828	51,517	0	52,819	10.22%	57,539	\$0.00	(10,870)	11,819	3,858	61,889
Vista/Fallbrook	47	1,584,941	0	41,842	248,453	15.68%	328,030	\$1.25	118,931	(65,467)	129,807	93,812
Highway 78 Corridor Total	98	3,082,372	51,517	41,842	488,263	15.84%	574,930	\$1.25	62,024	(38,341)	140,488	200,626
I-15 Corridor												
Escondido	24	444,384	0	0	22,427	5.05%	23,527	\$0.00	(137)	(9,713)	10,100	26,239
Poway	52	1,261,066	0	65,000	233,959	18.55%	417,360	\$1.37	(22,914)	119,980	5,279	208,337
Rancho Bernardo	77	4,650,597	0	0	909,818	19.56%	1,157,601	\$1.24	(86,290)	(98,953)	41,226	244,792
Scripps Ranch	23	742,207	0	0	43,716	5.89%	134,522	\$1.46	0	(8,842)	42,947	34,425
I-15 Corridor Total	176	7,098,254	0	65,000	1,209,920	17.05%	1,733,010	\$1.34	(109,341)	2,472	99,552	513,793
North City												
La Jolla	35	2,543,141	0	0	472,996	18.60%	522,587	\$3.17	60,335	34,533	61,532	347,737
Miramar	122	3,543,196	0	0	613,609	17.32%	760,872	\$1.34	(111,281)	(149,137)	68,270	270,988
Sorrento Mesa	146	6,674,029	0	0	815,789	12.22%	1,269,428	\$1.34	37,965	(237,319)	117,098	492,758
Sorrento Valley	77	1,907,860	0	0	251,457	13.18%	264,578	\$1.43	(49,946)	(11,447)	61,248	197,782
UTC Center	17	1,130,914	0	102,967	189,628	16.77%	299,678	\$2.95	2,507	86,421	2,507	86,421
North City Total	397	15,799,140	0	102,967	2,343,479	14.83%	3,117,143	\$1.46	(60,420)	(276,949)	310,655	1,395,686
North County												
Carlsbad	145	4,318,613	0	190,000	1,048,936	24.29%	1,203,489	\$1.18	(62,790)	(9,195)	150,244	466,142
North Beach Cities	8	134,187	0	0	6,393	4.76%	7,193	\$0.00	(620)	(1,200)	0	6,973
North County Total	153	4,452,800	0	190,000	1,055,329	23.70%	1,210,682	\$1.18	(63,410)	(10,395)	150,244	473,115
South Bay												
Chula Vista	55	1,451,971	0	0	103,607	7.14%	235,492	\$0.75	(1,349)	(28,532)	5,730	50,720
National City	20	330,428	0	0	18,938	5.73%	22,743	\$0.00	(3,630)	(2,906)	0	7,695
Otay Mesa	2	102,452	0	0	1,132	1.10%	1,132	\$0.00	0	0	0	873
San Ysidro	3	85,512	0	0	18,816	22.00%	18,816	\$0.65	0	(18,816)	0	0
South Bay Total	80	1,970,363	0	0	142,493	7.23%	278,183	\$0.72	(4,979)	(50,254)	5,730	59,288
San Diego County Total	1,221	39,970,214	51,517	1,047,500	5,981,272	14.96%	7,758,462	\$1.33	(358,998)	(716,212)	835,579	3,115,357

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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