

R & D MARKET REPORT

SECOND QUARTER 2004

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



To view available properties, please visit:
www.voitco.com



Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



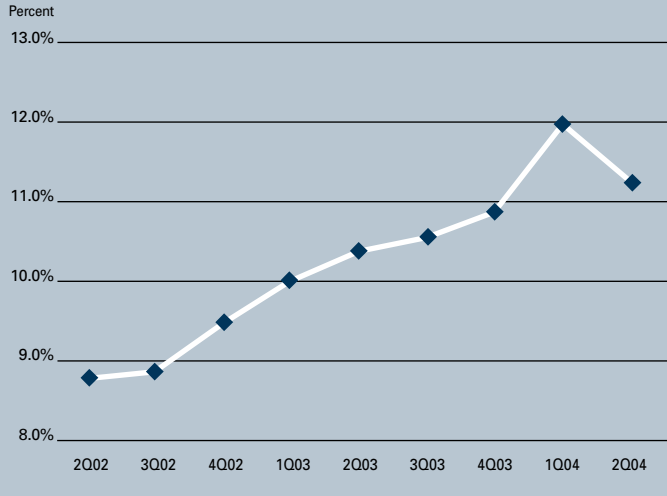
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2004 in San Diego County is 4.1%, which is the same as it was during the first quarter of 2004 as well as what we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 993,527 square feet of Research & Development construction underway, this figure is 81.53% higher than last year's second quarter number of 547,301 square feet.
- ◆ Planned Research & Development construction in San Diego County is up 110% when compared to last year. Currently, there is 2,545,457 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,206,470 square feet.
- ◆ The Research & Development vacancy rate is 11.25%, which is lower than it was during the first quarter of 2004 when it was 12.01% and is a little higher than last year's figure of 10.40%.
- ◆ Rental rates are expected to remain somewhat flat with the possibility of growth during the second half of 2004 as the economy improves.
- ◆ The Research & Development absorption checked in at a positive 74,292 square feet of net absorption during the second quarter of 2004, giving the San Diego Research & Development Market a total of 258,207 square feet of negative absorption for 2004.

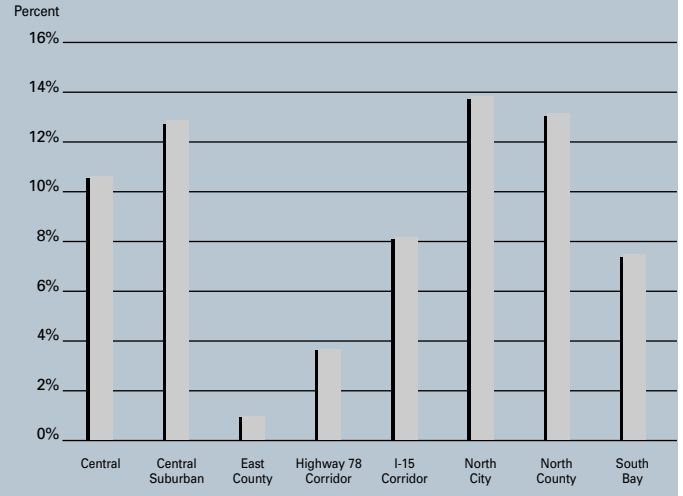
R&D MARKET STATISTICS

	2Q2004	1Q2004	2Q2003	% CHANGE VS. 2003
Under Construction	993,527	927,533	547,301	81.53%
Planned Construction	2,545,457	2,428,444	1,206,470	110.98%
Vacancy	11.25%	12.01%	10.40%	8.17%
Availability	16.83%	15.27%	14.48%	16.23%
Pricing	\$1.28	\$1.24	\$1.18	8.47%
Net Absorption	74,292	-332,499	74,904	-0.82%

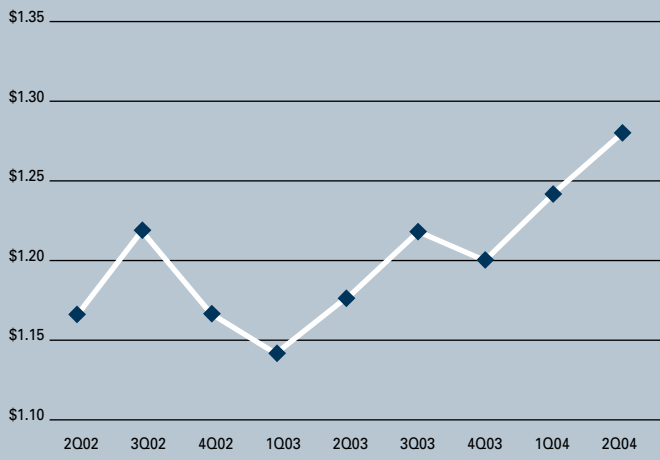
VACANCY RATE



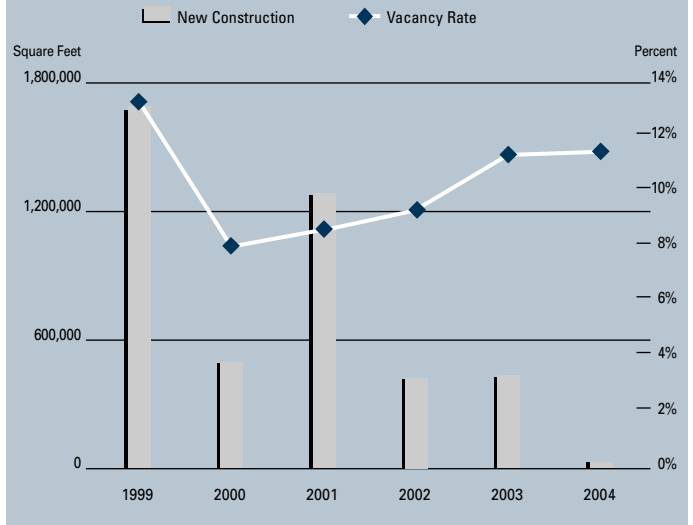
VACANCY RATE BY SUBMARKET



AVERAGE ASKING TRIPLE NET LEASE RATE



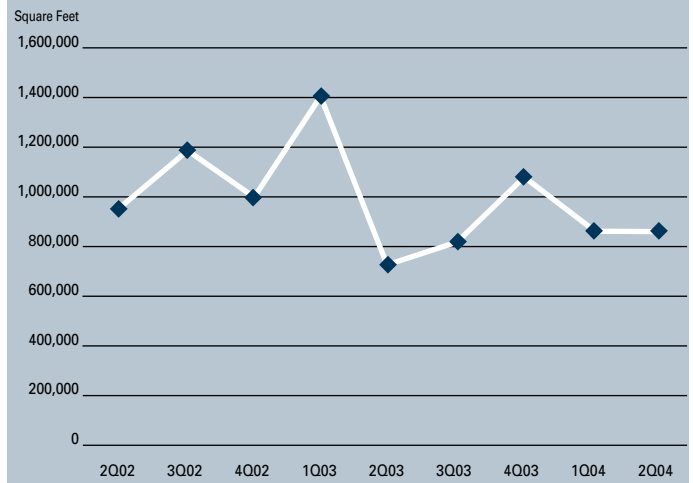
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2004	Total Availability 2Q2004	Average Asking Lease Rate	Net Absorption 2Q2004	Net Absorption 2004
Central										
Downtown	15	520,092	0	0	59,099	11.36%	67,899	\$0.75	(40,144)	(35,944)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0
Central Total	16	550,092	0	0	59,099	10.74%	67,899	\$0.75	(40,144)	(35,944)
Central Suburban										
Airport/Sports Arena	14	274,813	0	0	5,000	1.82%	5,000	\$1.00	1,500	3,400
Kearny Mesa	138	4,160,742	0	53,000	635,744	15.28%	702,628	\$1.19	46,324	(84,568)
Mission Gorge	6	105,054	0	0	2,565	2.44%	2,565	\$0.90	(2,565)	2,001
Rose Canyon/Morena	27	479,306	0	0	754	0.16%	754	\$1.15	6,134	49,003
Central Suburban Total	185	5,019,915	0	53,000	644,063	12.83%	710,947	\$1.19	51,393	(30,164)
East County										
El Cajon	38	1,005,741	0	0	8,067	0.80%	39,095	\$0.85	24,017	35,020
La Mesa/Spring Valley	3	44,876	0	0	0	0.00%	0	\$0.00	0	0
Santee/Lakeside	15	233,039	0	0	4,000	1.72%	4,000	\$0.00	0	7,000
East County Total	56	1,283,656	0	0	12,067	0.94%	43,095	\$0.85	24,017	42,020
Highway 78 Corridor										
Oceanside	6	206,657	501,690	870,310	10,488	5.08%	10,488	\$0.70	44	(3,606)
San Marcos	15	422,361	0	130,035	14,095	3.34%	45,345	\$0.00	12,045	17,442
Vista/Fallbrook	44	1,205,798	0	0	40,664	3.37%	151,346	\$0.87	9,795	(31,912)
Highway 78 Corridor Total	65	1,834,816	501,690	1,000,345	65,247	3.56%	207,179	\$0.84	21,884	(18,076)
I-15 Corridor										
Escondido	8	134,434	0	0	6,765	5.03%	18,542	\$0.80	1,235	(6,370)
Poway	35	1,441,240	0	65,000	110,076	7.64%	337,191	\$1.06	(29,668)	(30,330)
Rancho Bernardo	72	4,383,841	103,272	75,000	318,381	7.26%	827,993	\$1.10	45,217	(123,505)
Scripps Ranch	15	648,458	0	102,000	115,562	17.82%	115,562	\$0.99	3	3
I-15 Corridor Total	130	6,607,973	103,272	242,000	550,784	8.34%	1,299,288	\$1.08	16,787	(160,202)
North City										
La Jolla	32	2,297,366	0	0	123,736	5.39%	298,176	\$2.05	(7,300)	(7,300)
Miramar	104	3,052,886	352,754	194,888	517,095	16.94%	670,058	\$1.36	21,164	(23,632)
Sorrento Mesa	118	5,391,202	0	724,000	657,695	12.20%	930,592	\$1.28	173,156	303,751
Sorrento Valley	63	1,715,184	0	0	386,040	22.51%	511,570	\$1.80	(148,352)	(199,174)
UTC Center	8	562,975	0	126,000	132,721	23.57%	132,721	\$1.09	0	0
North City Total	325	13,019,613	352,754	1,044,888	1,817,287	13.96%	2,543,117	\$1.49	38,668	73,645
North County										
Carlsbad	110	4,455,918	0	0	604,907	13.58%	682,105	\$1.01	(33,596)	(137,734)
North Beach Cities	6	100,050	0	125,000	408	0.41%	4,649	\$0.00	2,400	620
North County Total	116	4,555,968	0	125,000	605,315	13.29%	686,754	\$1.01	(31,196)	(137,114)
South Bay										
Chula Vista	17	615,679	35,811	80,224	0	0.00%	0	\$0.00	0	4,000
National City	14	268,868	0	0	1,510	0.56%	1,510	\$1.00	5,528	2,265
Otay Mesa	5	296,054	0	0	63,157	21.33%	170,862	\$0.52	(11,645)	(11,645)
San Ysidro	6	245,875	0	0	41,000	16.68%	41,000	\$0.78	(1,000)	13,008
South Bay Total	42	1,426,476	35,811	80,224	105,667	7.41%	213,372	\$0.64	(7,117)	7,628
San Diego County Total	935	34,298,509	993,527	2,545,457	3,859,529	11.25%	5,771,651	\$1.28	74,292	(258,207)

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

R & D MARKET
REPORT

SECOND QUARTER 2004

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

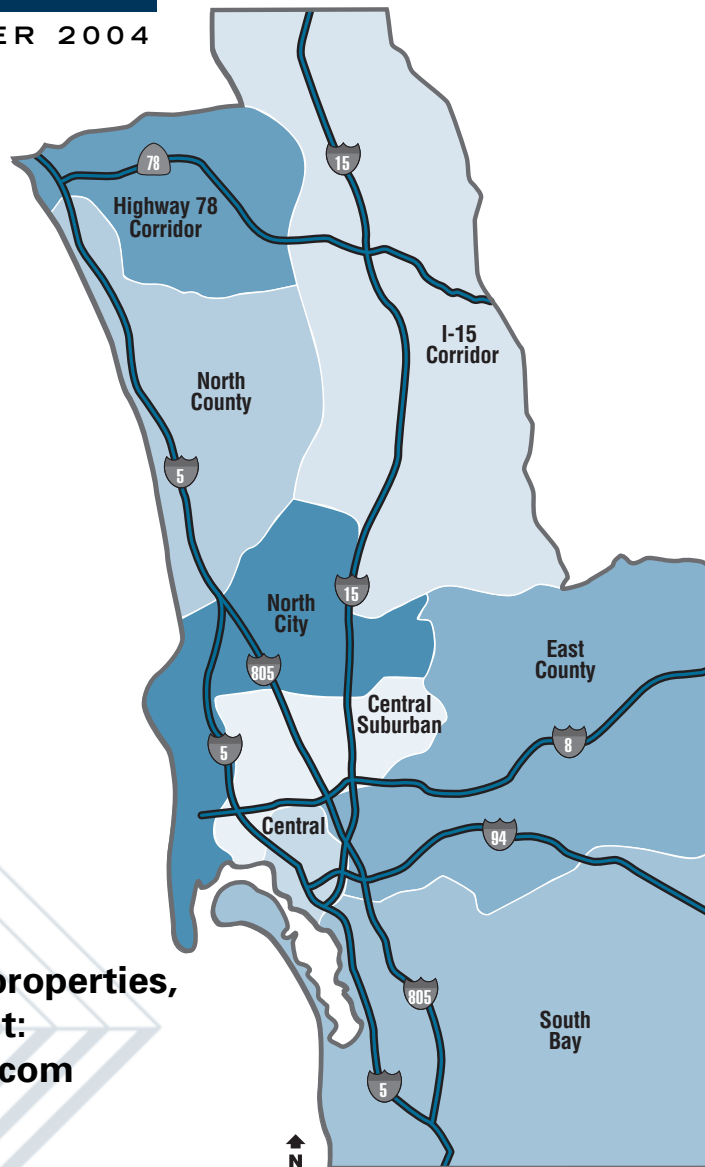
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



To view available properties,
please visit:
www.voidco.com

For Further Information:

SAN DIEGO OFFICE

4370 La Jolla Village Drive, Suite 990
San Diego, California 92122
TEL: 858.453.0505
FAX: 858.453.1981

CHULA VISTA OFFICE

660 Bay Boulevard, Suite 210
Chula Vista, California 91910
TEL: 619.498.4560
FAX: 619.495.4567



Real People. Real Solutions.

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.