

R & D MARKET REPORT

SECOND QUARTER 2005

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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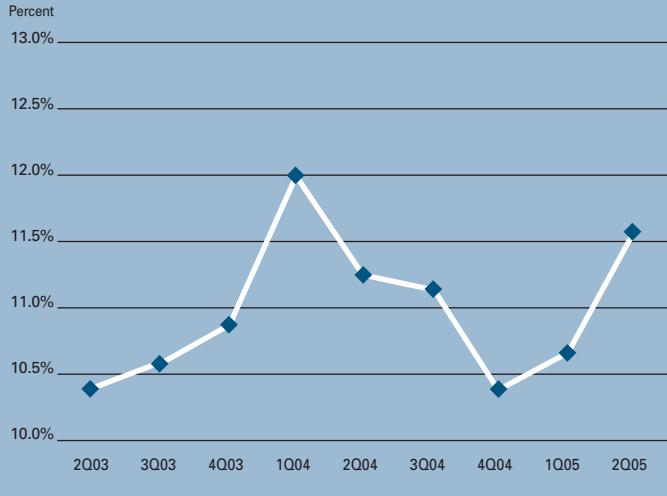
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2005 in San Diego County is 3.8%, which is a decrease of 0.8% since the first quarter of 2005 and down from the 4.6% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 674,610 square feet of Research & Development construction underway, this figure is down 32.1% when compared to last year's second quarter number of 993,527 square feet. Although, 928,095 square feet of new development was delivered during the first quarter of 2005.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,961,073 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 2,545,457 square feet.
- ◆ The Research & Development vacancy rate is 11.61%, which is higher than it was during the first quarter of 2005 when it was 10.70% and is a little higher than last years figure of 11.25%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently at a new record high of \$1.32, which is a 3.13% increase over last year's second quarter rate of \$1.28. Rental rates are expected to increase 7 to 10% in 2005 as the economy improves.
- ◆ The Research & Development absorption checked in at 254,824 square feet of positive net absorption during the second quarter of 2005, giving the San Diego Research & Development Market a total of 903,465 square feet of positive absorption for 2005.

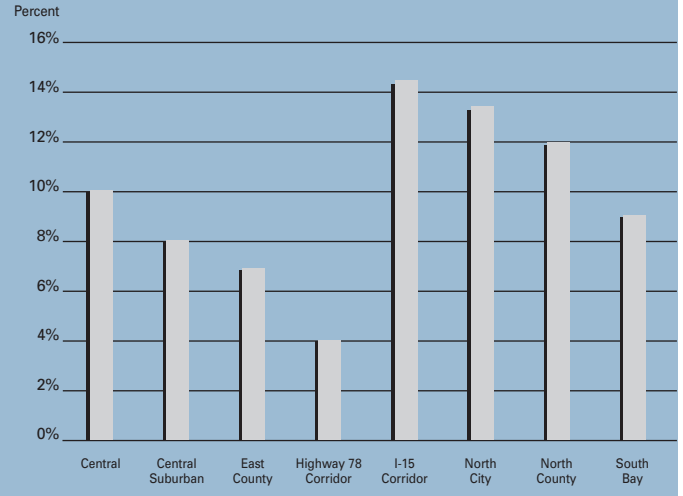
R&D MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	674,610	178,120	993,527	-32.10%
Planned Construction	1,961,073	1,716,992	2,545,457	-22.96%
Vacancy	11.61%	10.70%	11.25%	3.20%
Availability	17.42%	15.62%	16.83%	3.51%
Pricing	\$1.32	\$1.30	\$1.28	3.13%
Net Absorption	254,824	648,641	74,292	N/A

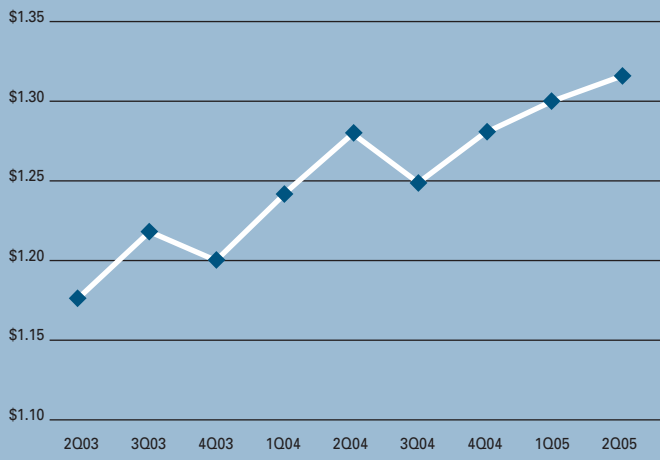
VACANCY RATE



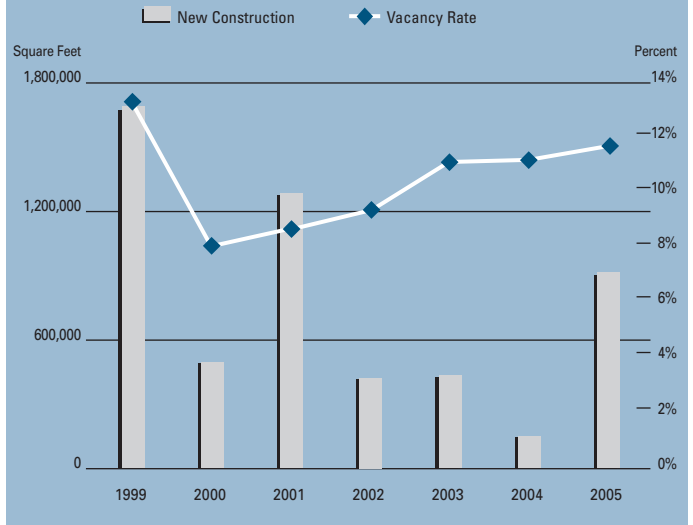
VACANCY RATE BY SUBMARKET



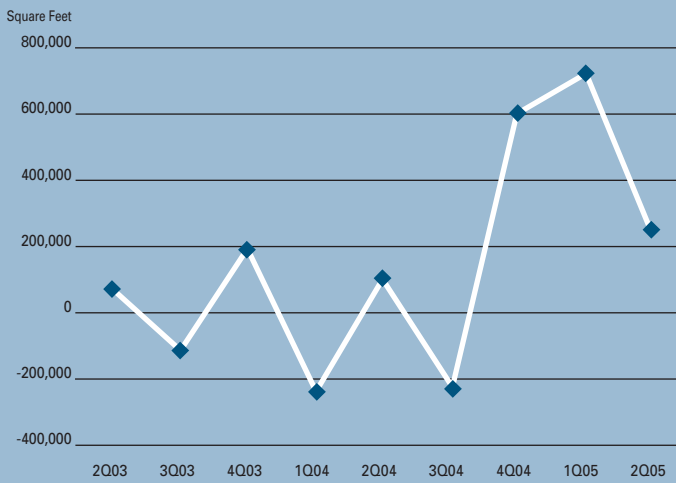
AVERAGE ASKING TRIPLE NET LEASE RATE



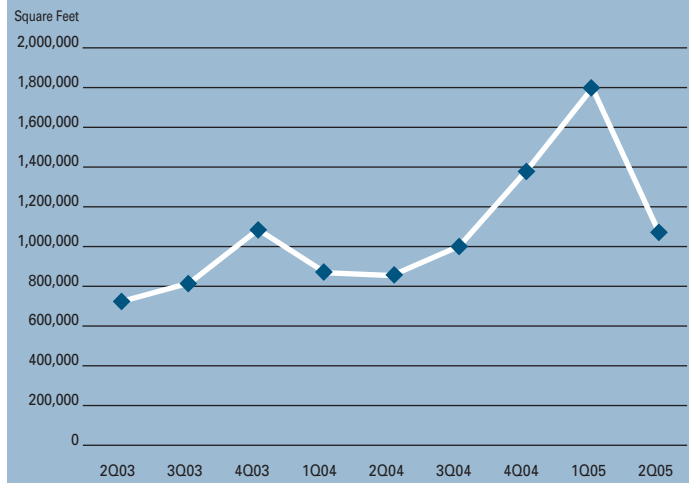
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



SECOND QUARTER 2005

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 2Q2005	Total Availability 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005
Central										
Downtown	15	469,917	0	0	50,970	10.85%	80,970	\$1.00	5,075	6,816
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0
Central Total	16	499,917	0	0	50,970	10.20%	80,970	\$1.00	5,075	6,816
Central Suburban										
Airport/Sports Arena	13	254,813	0	0	0	0.00%	0	\$0.00	0	0
Kearny Mesa	141	4,189,980	33,000	58,458	409,864	9.78%	409,864	\$1.12	11,607	(111,594)
Mission Gorge	7	125,054	0	0	0	0.00%	0	\$0.00	2,071	0
Rose Canyon/Morena	27	479,306	0	0	4,170	0.87%	4,170	\$0.00	(3,416)	(3,416)
Central Suburban Total	188	5,049,153	33,000	58,458	414,034	8.20%	414,034	\$1.12	10,262	(115,010)
East County										
El Cajon	40	1,043,139	0	0	85,304	8.18%	85,304	\$0.80	8,335	(49,416)
La Mesa/Spring Valley	3	44,876	0	0	0	0.00%	0	\$0.00	168	0
Santee/Lakeside	15	232,901	0	0	4,000	1.72%	28,439	\$0.00	7,500	0
East County Total	58	1,320,916	0	0	89,304	6.76%	113,743	\$0.80	16,003	(49,416)
Highway 78 Corridor										
Oceanside	9	783,124	27,682	870,310	13,518	1.73%	528,008	\$0.00	6,462	508,152
San Marcos	15	412,961	0	0	9,479	2.30%	43,183	\$0.00	(880)	1,688
Vista/Fallbrook	43	1,348,986	0	0	84,010	6.23%	174,321	\$0.65	21,511	31,513
Highway 78 Corridor Total	67	2,545,071	27,682	870,310	107,007	4.20%	745,512	\$0.65	27,093	541,353
I-15 Corridor										
Escondido	11	175,614	0	0	25,444	14.49%	25,444	\$0.00	7,321	(1,579)
Poway	32	1,283,164	30,011	65,000	168,578	13.14%	255,508	\$0.97	4,469	28,889
Rancho Bernardo	70	4,397,394	102,550	127,000	675,379	15.36%	738,656	\$1.21	(39,664)	(31,978)
Scripps Ranch	15	648,455	0	80,000	84,210	12.99%	84,210	\$0.85	(14,378)	175
I-15 Corridor Total	128	6,504,627	132,561	272,000	953,611	14.66%	1,103,818	\$1.14	(42,252)	(4,493)
North City										
La Jolla	35	2,510,244	0	0	197,009	7.85%	341,603	\$2.13	64,636	74,099
Miramar	110	3,392,183	0	11,760	527,626	15.55%	676,225	\$1.47	123,560	130,204
Sorrento Mesa	124	5,618,902	333,548	82,454	660,740	11.76%	1,079,888	\$1.35	(90,721)	186,825
Sorrento Valley	65	1,586,903	0	126,000	323,182	20.37%	372,880	\$1.84	19,270	90,365
UTC Center	9	579,291	0	0	132,721	22.91%	132,721	\$1.15	0	14,000
North City Total	343	13,687,523	333,548	220,214	1,841,278	13.45%	2,603,317	\$1.47	116,745	495,493
North County										
Carlsbad	120	4,729,591	0	415,091	575,184	12.16%	924,535	\$1.13	106,144	12,448
North Beach Cities	6	109,450	0	125,000	4,649	4.25%	6,024	\$0.00	600	0
North County Total	126	4,839,041	0	540,091	579,833	11.98%	930,559	\$1.13	106,744	12,448
South Bay										
Chula Vista	22	812,847	147,819	0	123,926	15.25%	123,926	\$1.13	3,090	(5,335)
National City	15	254,668	0	0	3,199	1.26%	3,199	\$1.01	0	795
Otay Mesa	4	246,717	0	0	10,423	4.22%	144,916	\$0.00	12,064	2,122
San Ysidro	5	198,251	0	0	0	0.00%	0	\$0.00	0	18,692
South Bay Total	46	1,512,483	147,819	0	137,548	9.09%	272,041	\$1.13	15,154	16,274
San Diego County Total	972	35,958,731	674,610	1,961,073	4,173,585	11.61%	6,263,994	\$1.32	254,824	903,465

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 2005

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

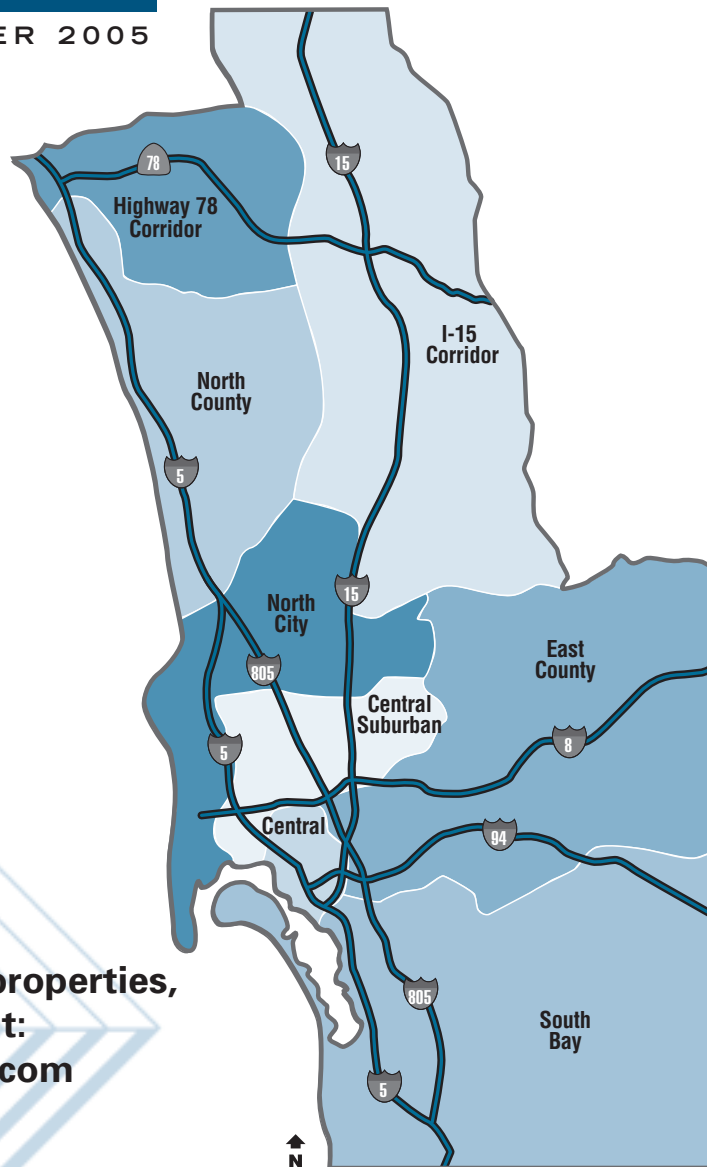
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

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.