

# R & D MARKET REPORT

SECOND QUARTER 2006

Compared to last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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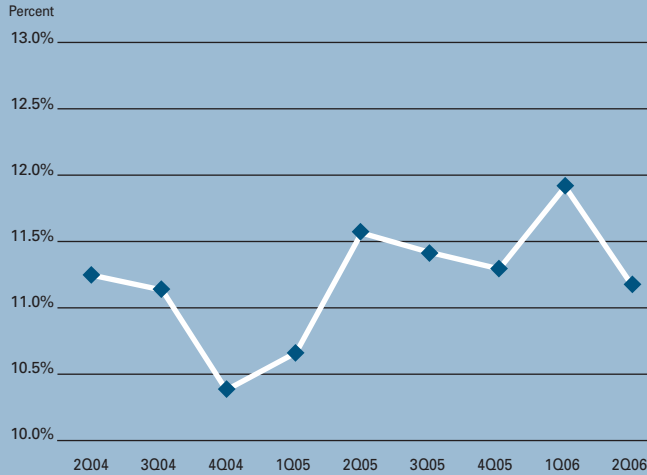
## MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2006 in San Diego County is 3.7%, which is a decrease of 0.4% since the first quarter of 2006 and down from the 4.1% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 23,400 new non-farm jobs in 2005, and they are forecasting 35,000 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 572,960 square feet of Research & Development construction underway, this figure is down 15.07% when compared to last year's second quarter number of 674,610 square feet. Although, 605,018 square feet of new R&D development was delivered during the first half of 2006.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 975,975 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,961,073 square feet.
- ◆ The Research & Development vacancy rate is 10.71%, which is lower than it was during the first quarter of 2006 when it was 11.95% and is lower than last years figure of 11.61%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.37, which is a 3.79% increase over last year's second quarter rate of \$1.32. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 738,638 square feet of positive net absorption during the second quarter of 2006, giving the San Diego Research & Development Market a total of 2.7 million square feet of positive absorption for the last seven quarters.

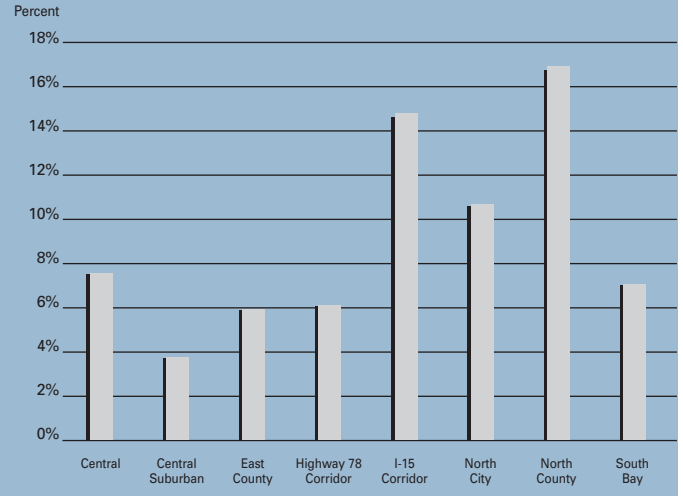
### R&D MARKET STATISTICS

	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	572,960	907,352	674,610	-15.07%
Planned Construction	975,975	994,976	1,961,073	-50.23%
Vacancy	10.71%	11.95%	11.61%	-7.75%
Availability	14.87%	16.02%	17.42%	-14.64%
Pricing	\$1.37	\$1.32	\$1.32	3.79%
Net Absorption	738,638	-16,948	254,824	N/A

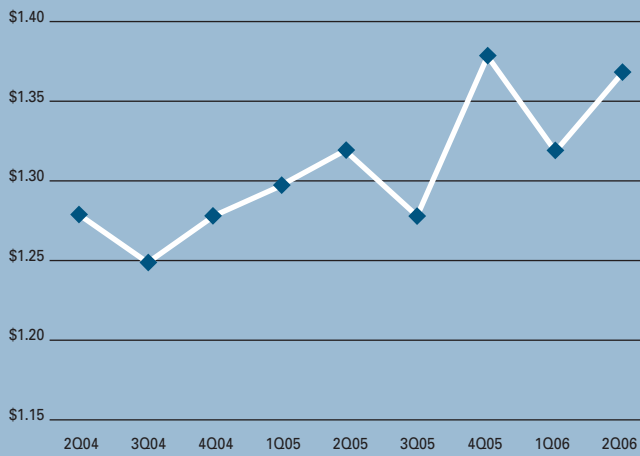
## VACANCY RATE



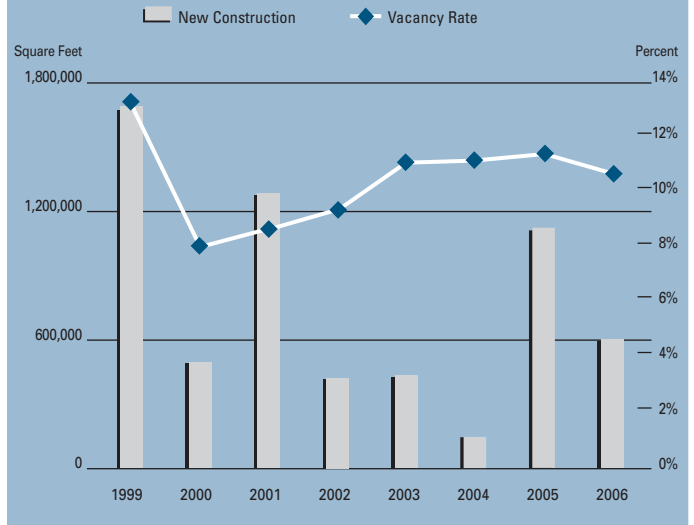
## VACANCY RATE BY SUBMARKET



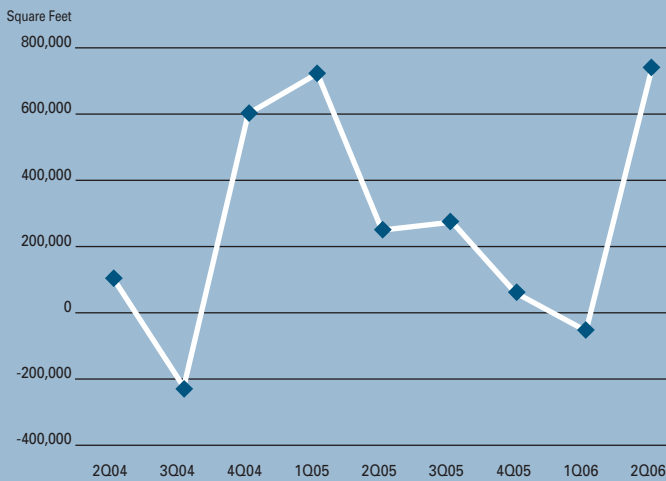
## AVERAGE ASKING TRIPLE NET LEASE RATE



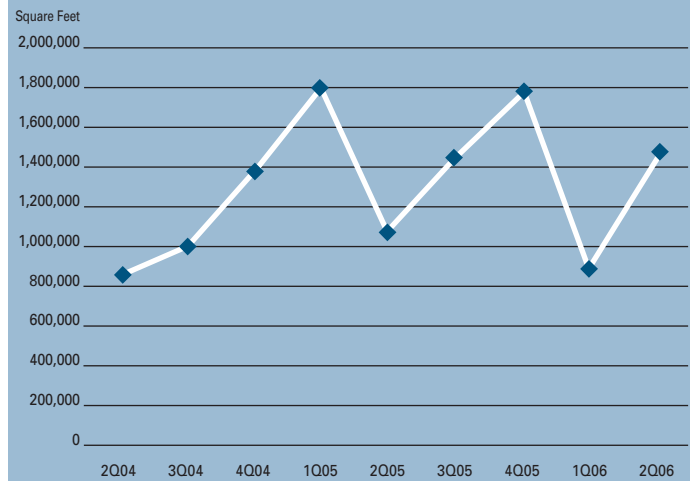
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## 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 2Q2006	Total Availability 2Q2006	Average Asking Lease Rate	Net Absorption 2Q2006	Net Absorption 2006
<b>Central</b>										
Downtown	14	443,773	0	0	35,952	8.10%	35,952	\$0.00	(1,864)	(21,524)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	(390)
<b>Central Total</b>	<b>15</b>	<b>473,773</b>	<b>0</b>	<b>0</b>	<b>35,952</b>	<b>7.59%</b>	<b>35,952</b>	<b>\$0.00</b>	<b>(1,864)</b>	<b>(21,914)</b>
<b>Central Suburban</b>										
Airport/Sports Arena	11	225,573	0	0	3,950	1.75%	3,950	\$0.00	0	(3,950)
Kearny Mesa	144	4,163,485	0	57,691	172,782	4.15%	249,353	\$1.14	5,978	36,360
Mission Gorge	6	105,054	0	0	5,872	5.59%	5,872	\$0.00	0	(2,936)
Rose Canyon/Morena	29	521,672	0	0	7,357	1.41%	7,357	\$0.00	5,949	6,791
<b>Central Suburban Total</b>	<b>190</b>	<b>5,015,784</b>	<b>0</b>	<b>57,691</b>	<b>189,961</b>	<b>3.79%</b>	<b>266,532</b>	<b>\$1.14</b>	<b>11,927</b>	<b>36,265</b>
<b>East County</b>										
El Cajon	41	1,059,630	0	0	71,190	6.72%	79,371	\$0.86	(12,126)	(26,509)
La Mesa/Spring Valley	4	61,235	0	0	5,000	8.17%	5,000	\$0.00	0	0
Santee/Lakeside	14	192,423	0	0	3,000	1.56%	3,000	\$0.00	0	(3,000)
<b>East County Total</b>	<b>59</b>	<b>1,313,288</b>	<b>0</b>	<b>0</b>	<b>79,190</b>	<b>6.03%</b>	<b>87,371</b>	<b>\$0.86</b>	<b>(12,126)</b>	<b>(29,509)</b>
<b>Highway 78 Corridor</b>										
Oceanside	13	841,176	0	0	52,340	6.22%	52,340	\$0.00	735	22,083
San Marcos	17	444,627	0	0	23,987	5.39%	67,257	\$0.00	11,072	12,462
Vista/Fallbrook	45	1,416,462	0	75,000	89,384	6.31%	194,946	\$0.83	(14,950)	(17,926)
<b>Highway 78 Corridor Total</b>	<b>75</b>	<b>2,702,265</b>	<b>0</b>	<b>75,000</b>	<b>165,711</b>	<b>6.13%</b>	<b>314,543</b>	<b>\$0.83</b>	<b>(3,143)</b>	<b>16,619</b>
<b>I-15 Corridor</b>										
Escondido	14	273,972	0	0	63,994	23.36%	74,254	\$1.26	11,208	31,088
Poway	33	1,416,282	30,011	65,000	404,058	28.53%	632,333	\$1.19	(13,855)	(18,236)
Rancho Bernardo	72	4,787,159	75,000	52,000	540,789	11.30%	891,199	\$1.64	(36,379)	119,178
Scripps Ranch	14	567,047	0	80,000	44,033	7.77%	44,033	\$0.95	(473)	(473)
<b>I-15 Corridor Total</b>	<b>133</b>	<b>7,044,460</b>	<b>105,011</b>	<b>197,000</b>	<b>1,052,874</b>	<b>14.95%</b>	<b>1,641,819</b>	<b>\$1.40</b>	<b>(39,499)</b>	<b>131,557</b>
<b>North City</b>										
La Jolla	35	2,598,150	0	0	268,004	10.32%	397,437	\$2.68	(55,200)	(55,200)
Miramar	111	3,335,974	50,144	0	508,424	15.24%	515,646	\$1.36	21,417	(36,902)
Sorrento Mesa	129	5,906,326	32,952	0	488,742	8.27%	754,217	\$1.31	514,820	456,600
Sorrento Valley	66	1,621,326	0	0	125,271	7.73%	234,575	\$1.70	75,768	99,527
UTC Center	10	622,301	64,000	225,536	133,731	21.49%	147,679	\$2.85	0	0
<b>North City Total</b>	<b>351</b>	<b>14,084,077</b>	<b>147,096</b>	<b>225,536</b>	<b>1,524,172</b>	<b>10.82%</b>	<b>2,049,554</b>	<b>\$1.53</b>	<b>556,805</b>	<b>464,025</b>
<b>North County</b>										
Carlsbad	122	4,654,972	320,853	420,748	807,142	17.34%	957,265	\$1.26	48,129	(876)
North Beach Cities	6	109,450	0	0	0	0.00%	1,760	\$0.00	7,600	4,649
<b>North County Total</b>	<b>128</b>	<b>4,764,422</b>	<b>320,853</b>	<b>420,748</b>	<b>807,142</b>	<b>16.94%</b>	<b>959,025</b>	<b>\$1.26</b>	<b>55,729</b>	<b>3,773</b>
<b>South Bay</b>										
Chula Vista	36	1,105,702	0	0	111,089	10.05%	134,876	\$1.34	80,646	111,353
National City	15	254,668	0	0	8,200	3.22%	8,200	\$0.00	9,167	16,629
Otay Mesa	4	246,717	0	0	8,482	3.44%	35,270	\$0.00	80,996	26,788
San Ysidro	5	198,251	0	0	0	0.00%	0	\$0.00	0	0
<b>South Bay Total</b>	<b>60</b>	<b>1,805,338</b>	<b>0</b>	<b>0</b>	<b>127,771</b>	<b>7.08%</b>	<b>178,346</b>	<b>\$1.34</b>	<b>170,809</b>	<b>154,770</b>
<b>San Diego County Total</b>	<b>1,011</b>	<b>37,203,407</b>	<b>572,960</b>	<b>975,975</b>	<b>3,982,773</b>	<b>10.71%</b>	<b>5,533,142</b>	<b>\$1.37</b>	<b>738,638</b>	<b>755,586</b>

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 2006

**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**

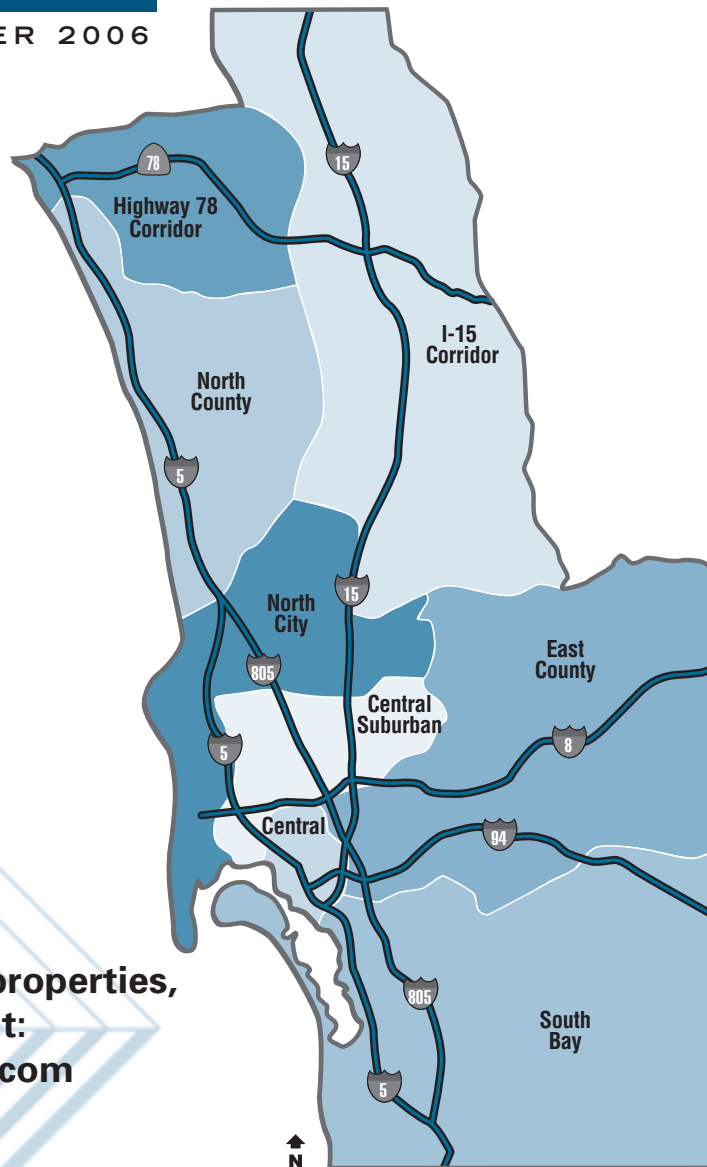
La Jolla  
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC Center

**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.