

R & D MARKET REPORT

SECOND QUARTER 2007

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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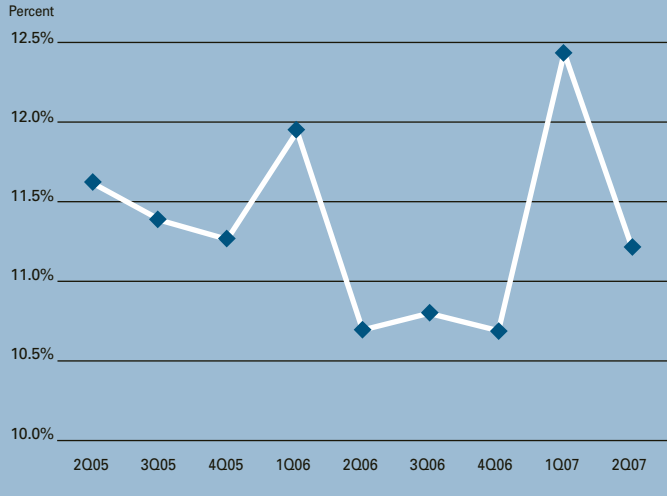
MARKET HIGHLIGHTS

- ◆ The Research & Development vacancy rate is 11.24%, which is lower than it was during the first quarter of 2007 when it was 12.46%, and is higher than last year's figure of 11.71%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.37, which is the same as last year's second quarter rate. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 175,849 square feet of positive net absorption during the second quarter of 2007, giving the Research & Development market a total of 5,111 square feet of positive absorption for 2007. Most of the positive absorption has occurred in the Highway 78 Corridor submarket.
- ◆ Unemployment in the second quarter of 2007 in San Diego County is 4.2%, which is the same as it was when compared to the first quarter of 2007, and .05% higher than it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 185,344 square feet of Research & Development construction underway. This figure is down 67.65% when compared to last year's second quarter number of 572,960 square feet. Although, 338,902 square feet of new development was delivered during the first half of 2007.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,428,252 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 975,975 square feet.

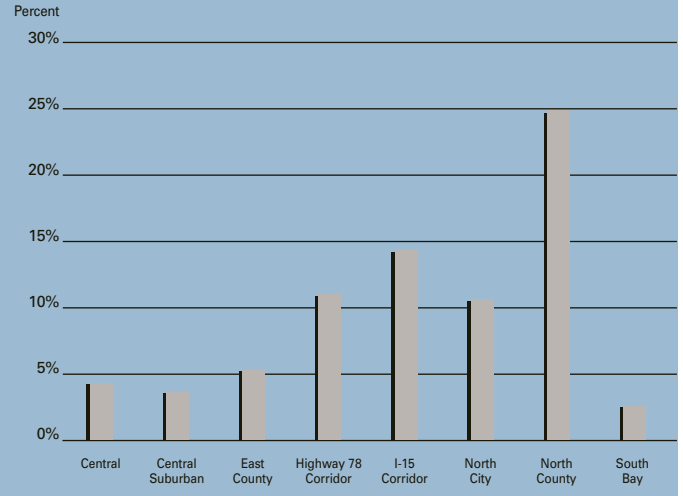
R&D MARKET STATISTICS

	2Q2007	1Q2007	2Q2006	% CHANGE VS. 2006
Under Construction	185,344	61,226	572,960	-67.65%
Planned Construction	1,428,252	1,603,812	975,975	46.34%
Vacancy	11.24%	12.46%	10.71%	4.95%
Availability	14.50%	14.96%	14.87%	-2.49%
Pricing	\$1.37	\$1.42	\$1.37	0.00%
Net Absorption	175,849	-170,738	738,638	N/A

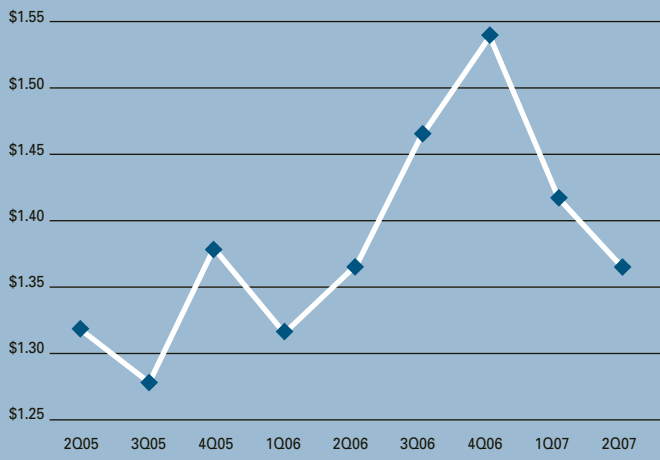
VACANCY RATE



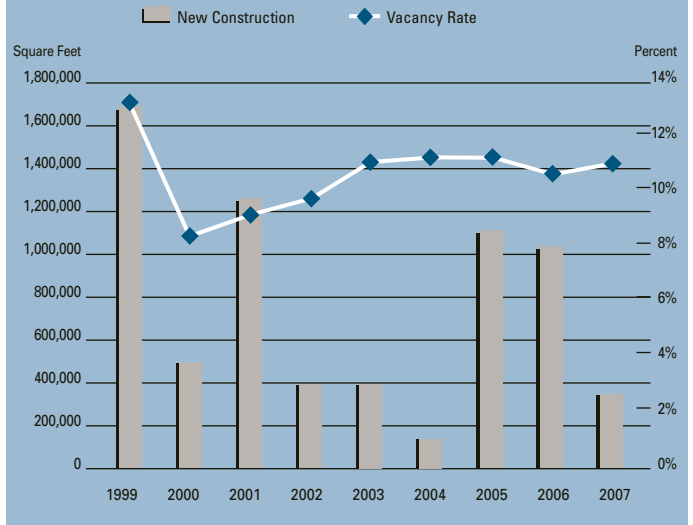
VACANCY RATE BY SUBMARKET



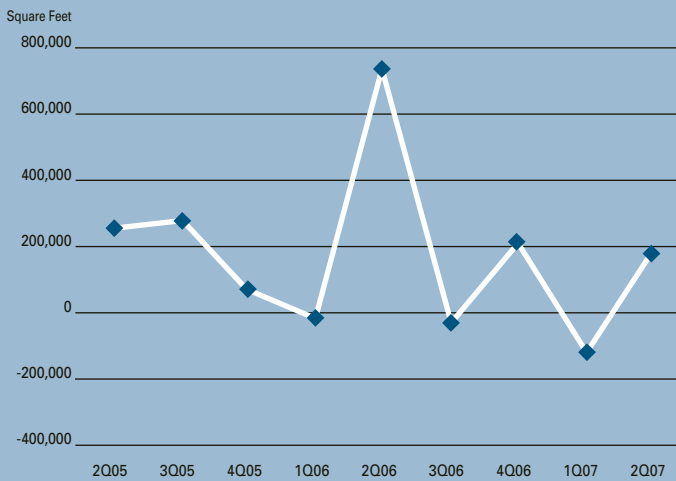
AVERAGE ASKING TRIPLE NET LEASE RATE



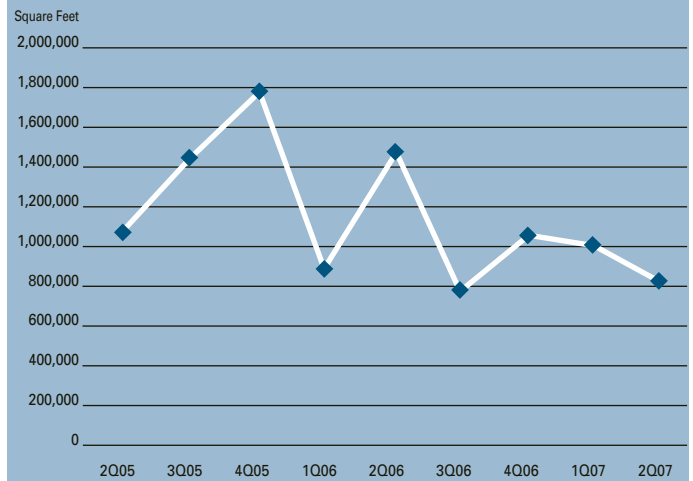
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2007	Total Availability 2Q2007	Average Asking Lease Rate	Net Absorption 2Q2007	Net Absorption 2007
Central										
Downtown	13	382,488	0	0	17,787	4.65%	15,492	\$0.00	6,226	128
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	390
Central Total	14	412,488	0	0	17,787	4.31%	15,492	\$0.00	6,226	518
Central Suburban										
Airport/Sports Arena	12	237,201	0	0	11,400	4.81%	11,400	\$0.00	1,100	2,500
Kearny Mesa	159	4,337,887	0	57,691	149,936	3.46%	431,944	\$1.38	29,800	22,541
Mission Gorge	7	116,289	0	0	2,230	1.92%	2,230	\$0.00	1,675	706
Rose Canyon/Morena	36	655,853	0	0	17,294	2.64%	21,121	\$1.34	3,988	2,860
Central Suburban Total	214	5,347,230	0	57,691	180,860	3.38%	466,695	\$1.38	36,563	28,607
East County										
El Cajon	45	1,100,739	0	0	66,465	6.04%	64,342	\$0.95	(30,518)	472
La Mesa/Spring Valley	10	177,283	0	0	9,136	5.15%	9,136	\$0.00	(8,299)	(9,136)
Santee/Lakeside	15	208,557	0	590,000	1,700	0.82%	1,700	\$0.00	6,450	6,450
East County Total	70	1,486,579	0	590,000	77,301	5.20%	75,178	\$0.95	(32,367)	(2,214)
Highway 78 Corridor										
Oceanside	29	1,122,936	0	0	202,061	17.99%	202,061	\$0.00	26,248	33,092
San Marcos	22	534,488	0	0	75,843	14.19%	65,077	\$2.05	8,317	12,641
Vista/Fallbrook	43	1,362,438	0	52,736	64,758	4.75%	95,111	\$1.08	61,762	20,541
Highway 78 Corridor Total	94	3,019,862	0	52,736	342,662	11.35%	362,249	\$1.13	96,327	66,274
I-15 Corridor										
Escondido	22	413,912	0	0	1,376	0.33%	0	\$0.00	0	1,124
Poway	41	933,400	0	65,000	232,971	24.96%	303,330	\$1.26	14,183	(4,019)
Rancho Bernardo	74	4,562,133	0	0	675,958	14.82%	834,966	\$1.38	(43,947)	40,144
Scripps Ranch	20	674,721	0	0	46,442	6.88%	79,041	\$1.20	823	(20,117)
I-15 Corridor Total	157	6,584,166	0	65,000	956,747	14.53%	1,217,337	\$1.30	(28,941)	17,132
North City										
La Jolla	35	2,555,568	0	0	459,859	17.99%	622,334	\$2.27	49,567	(19,483)
Miramar	119	3,678,461	0	83,930	338,743	9.21%	418,439	\$1.09	64,344	68,612
Sorrento Mesa	140	6,292,910	0	0	599,677	9.53%	807,832	\$1.38	(43,716)	(57,599)
Sorrento Valley	68	1,726,874	0	0	198,660	11.50%	259,589	\$1.99	(8,797)	(100,272)
UTC Center	11	688,761	83,966	350,157	16,752	2.43%	16,752	\$2.85	0	(16,752)
North City Total	373	14,942,574	83,966	434,087	1,613,691	10.80%	2,124,946	\$1.45	61,398	(125,494)
North County										
Carlsbad	136	4,043,439	53,378	228,738	1,043,193	25.80%	1,125,226	\$1.32	24,017	(45,159)
North Beach Cities	7	120,793	0	0	5,173	4.28%	5,173	\$0.00	(5,173)	(2,913)
North County Total	143	4,164,232	53,378	228,738	1,048,366	25.18%	1,130,399	\$1.32	18,844	(48,072)
South Bay										
Chula Vista	52	1,468,715	48,000	0	43,408	2.96%	52,087	\$1.30	2,553	13,320
National City	20	325,468	0	0	11,117	3.42%	9,380	\$0.00	6,764	19,770
Otay Mesa	4	246,717	0	0	0	0.00%	0	\$0.00	8,482	35,270
San Ysidro	5	181,563	0	0	0	0.00%	80,574	\$0.00	0	0
South Bay Total	81	2,222,463	48,000	0	54,525	2.45%	142,041	\$1.30	17,799	68,360
San Diego County Total	1,146	38,179,594	185,344	1,428,252	4,291,939	11.24%	5,534,337	\$1.37	175,849	5,111

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 2007

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

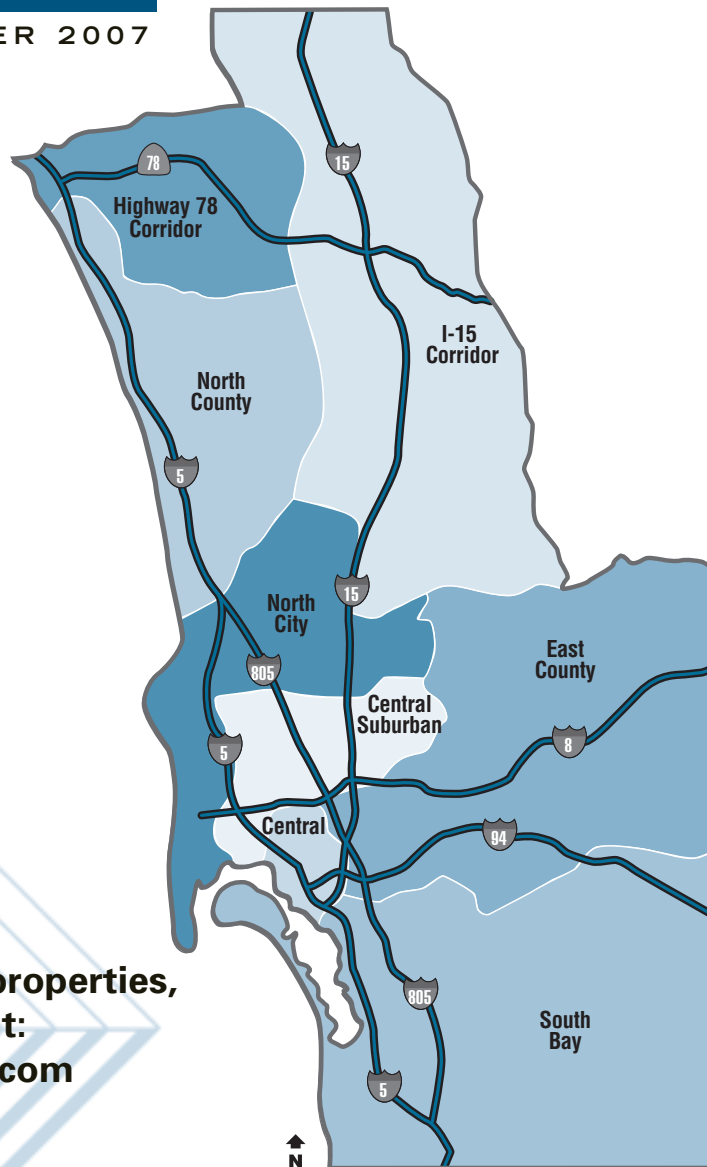
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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