



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



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

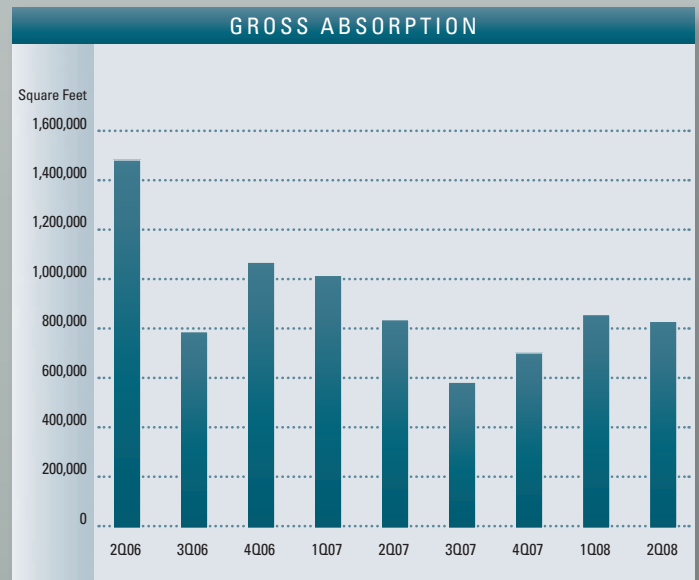
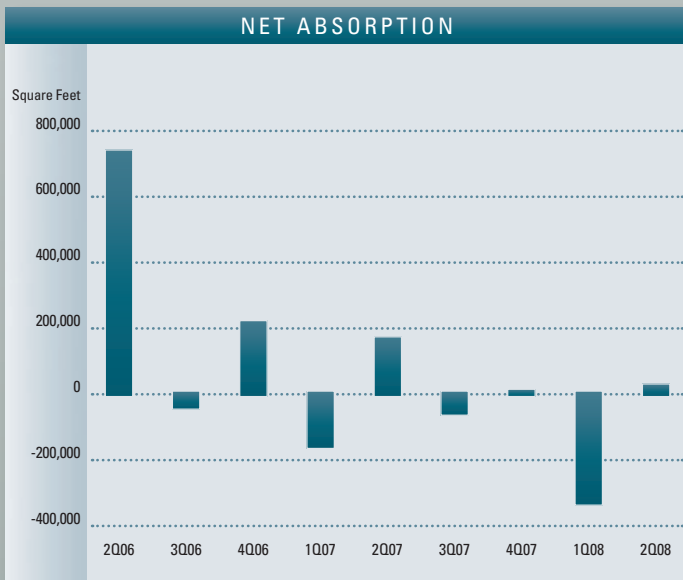
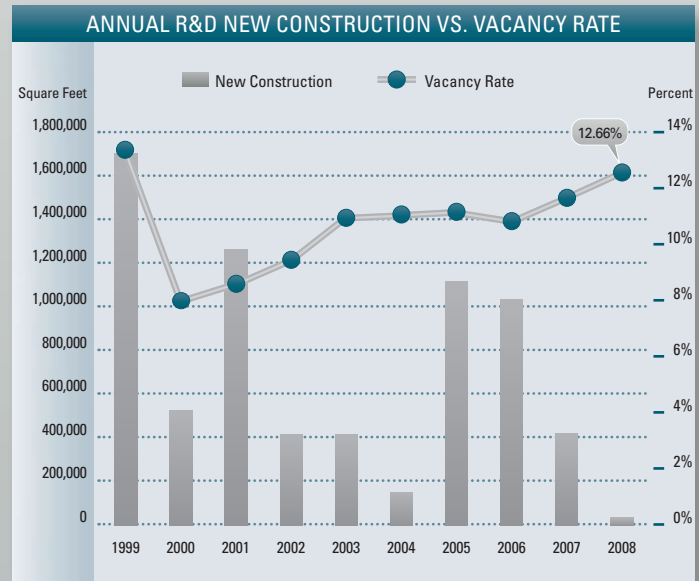
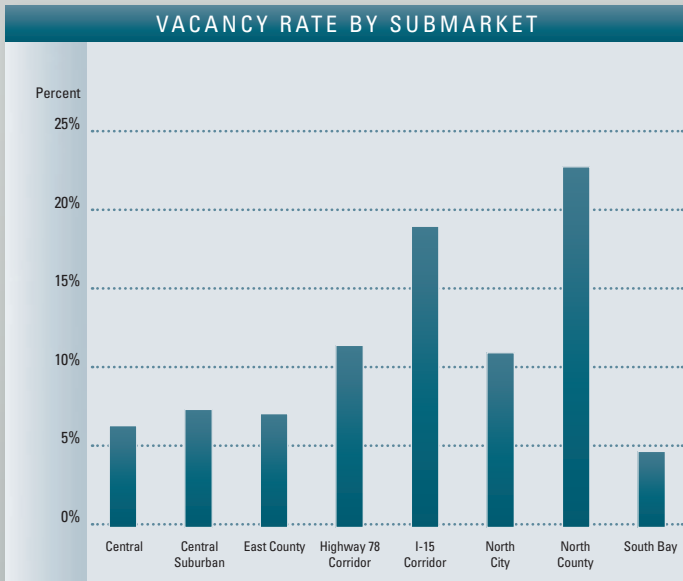
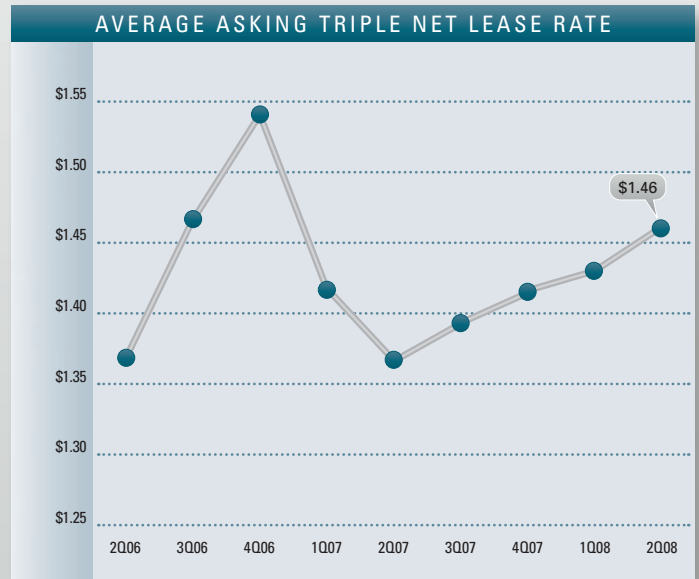
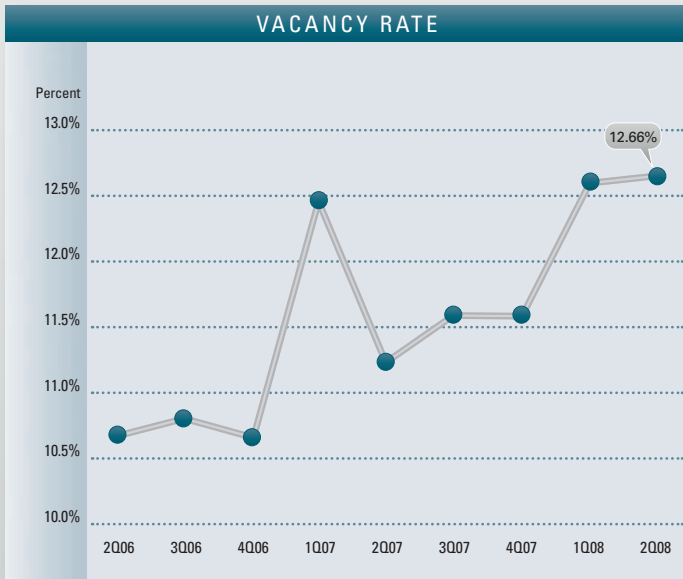
Market Highlights

- ◆ The Research & Development vacancy rate is 12.66% this quarter, which is about as last quarter when it was 12.62%, and is higher than last year's figure of 11.24%. One of the lowest vacancy rates in the county can be found in the South Bay submarket, coming in at 4.26%. This lack of supply is creating constrained demand for Research & Development space in the San Diego County area and is putting upward pressure on lease rates.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.46, which is higher than last year's first quarter rate of \$1.37. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.67 per square foot. Rental rates are expected to increase 1% to 3% in 2008.
- ◆ Research & Development absorption checked in at a positive 24,512 square feet during the second quarter of 2008, after having a total of 133,489 square feet of negative absorption for 2007. Most of the positive absorption occurred in I-15 Corridor and North City submarkets: 26,251 and 16,665 square feet respectively.
- ◆ According to the State of California Employment Development Department, San Diego County added 3,200 payroll jobs over the last twelve months.
- ◆ Between April 2008 and May 2008 San Diego County gained 3,100 jobs, mostly in the leisure & hospitality and government sectors.
- ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 nonfarm jobs with a 4.1% increase in total personal income in 2008, and they are forecast ing 19,800 new jobs for 2009.
- ◆ The unemployment rate in San Diego County was 5.5% in May 2008, up from the revised 5.1% percent in April 2008, but above the year ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.2 percent for the nation during the same period.
- ◆ Currently there is 187,610 square feet of Research & Development construction underway. This figure is slightly up when compared to last year's first quarter number of 185,344 square feet. Although only 42,298 square feet of new development was delivered during the first half of 2008.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 1.3 million square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1.4 million square feet.

R & D MARKET OVERVIEW

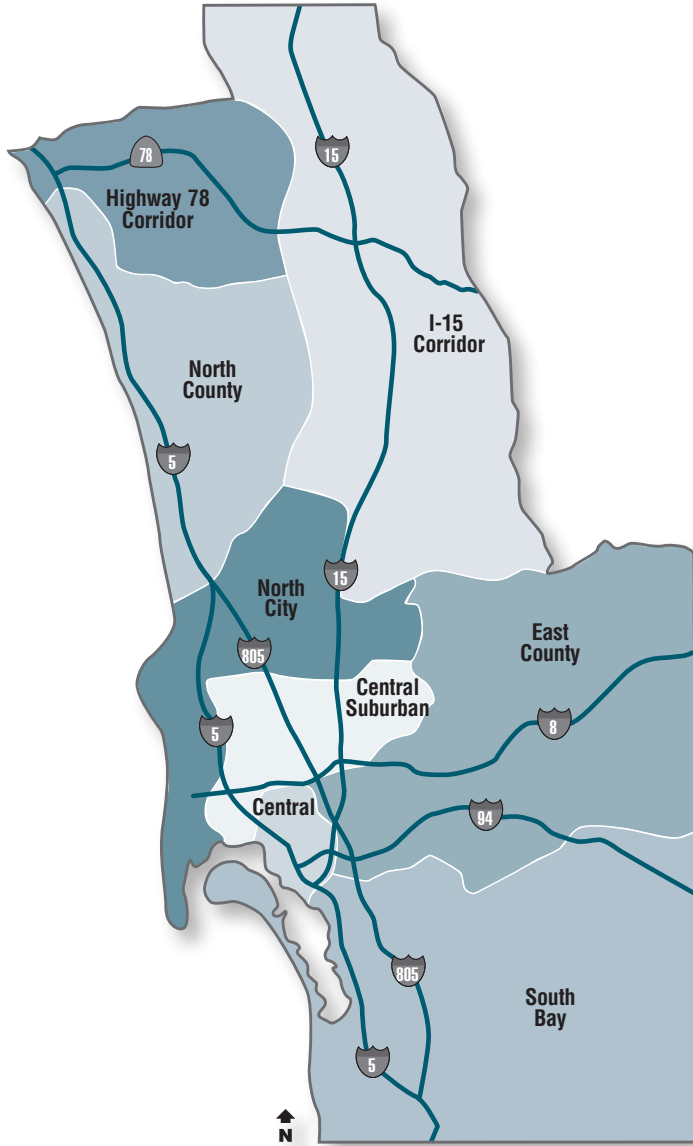
	2Q2008	1Q2008	2Q2007	% CHANGE VS. 2Q07
Under Construction	187,610	229,908	185,344	1.22%
Planned Construction	1,324,211	1,324,211	1,428,252	-7.28%
Vacancy	12.66%	12.62%	11.24%	12.63%
Availability	16.56%	14.92%	14.50%	14.21%
Pricing	\$1.46	\$1.43	\$1.37	6.57%
Net Absorption	24,512	-338,587	175,849	N/A

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	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2008	Total Availability 2Q2008	Average Asking Lease Rate	Net Absorption 2Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
Central												
Downtown	12	272,488	0	0	19,218	7.05%	41,218	\$0.00	0	0	(7,183)	(2,387)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0	0	390
Central Total	13	302,488	0	0	19,218	6.35%	41,218	\$0.00	0	0	(7,183)	(1,997)
Central Suburban												
Airport/Sports Arena	13	248,201	0	0	13,445	5.42%	13,445	\$1.25	855	1,320	2,135	(13,400)
Kearny Mesa	161	4,592,239	0	57,691	377,195	8.21%	518,107	\$1.28	(24,595)	(188,103)	(15,815)	66,336
Mission Gorge	9	138,061	0	0	3,110	2.25%	3,110	\$0.00	(880)	170	2,581	0
Rose Canyon/Morena	34	625,720	0	0	10,265	1.64%	13,250	\$1.45	7,800	23,645	(13,756)	(806)
Central Suburban Total	217	5,604,221	0	57,691	404,015	7.21%	547,912	\$1.28	(16,820)	(162,968)	(24,855)	52,130
East County												
El Cajon	47	1,090,381	0	0	108,165	9.92%	124,753	\$0.90	(4,800)	(46,703)	7,975	(17,656)
La Mesa/Spring Valley	10	179,432	0	0	6,950	3.87%	5,148	\$0.00	(4,037)	(3,362)	(871)	5,000
Santee/Lakeside	29	413,741	0	590,000	1,100	0.27%	1,100	\$0.00	1,050	1,338	2,352	(8,150)
East County Total	86	1,683,554	0	590,000	116,215	6.90%	131,001	\$0.90	(7,787)	(48,727)	9,456	(20,806)
Highway 78 Corridor												
Oceanside	26	1,033,661	0	0	135,029	13.06%	133,188	\$0.00	21,588	21,232	28,638	15,613
San Marcos	23	491,609	0	0	66,552	13.54%	67,852	\$0.95	(15,218)	(10,110)	7,490	(26,643)
Vista/Fallbrook	44	1,397,429	75,000	41,842	130,651	9.35%	221,438	\$0.91	(17,663)	(18,799)	17,739	(21,881)
Highway 78 Corridor Total	93	2,922,699	75,000	41,842	332,232	11.37%	422,478	\$0.92	(11,293)	(7,677)	53,867	(32,911)
I-15 Corridor												
Escondido	26	478,277	0	0	8,862	1.85%	19,851	\$0.00	(1,788)	4,830	(9,174)	101,082
Poway	55	1,345,264	0	65,000	320,786	23.85%	472,054	\$1.51	59,736	51,840	(101,976)	(96,467)
Rancho Bernardo	77	4,490,967	0	0	919,100	20.47%	1,045,593	\$1.53	(15,074)	(140,651)	(63,347)	131,795
Scripps Ranch	21	685,271	0	0	57,850	8.44%	119,728	\$1.22	(16,623)	(22,976)	(8,549)	30,223
I-15 Corridor Total	179	6,999,779	0	65,000	1,306,598	18.67%	1,657,226	\$1.48	26,251	(106,957)	(183,046)	166,633
North City												
La Jolla	34	2,445,568	0	0	368,934	15.09%	409,934	\$2.95	81,908	112,930	(41,488)	(120,772)
Miramar	118	3,424,773	0	83,930	350,842	10.24%	535,132	\$1.30	(21,621)	(5,502)	72,537	91,746
Sorrento Mesa	142	6,210,418	0	0	741,265	11.94%	984,350	\$1.47	(17,640)	(109,904)	(53,655)	419,089
Sorrento Valley	70	1,771,783	0	0	151,357	8.54%	224,057	\$2.23	(26,843)	38,707	(118,676)	115,241
UTC Center	13	882,296	83,966	161,871	15,891	1.80%	15,891	\$2.95	861	861	(15,158)	133,731
North City Total	377	14,734,838	83,966	245,801	1,628,289	11.05%	2,169,364	\$1.67	16,665	37,092	(156,440)	639,035
North County												
Carlsbad	139	4,124,514	0	323,877	973,087	23.59%	1,118,752	\$1.25	11,678	(639)	110,256	(11,906)
North Beach Cities	8	133,527	0	0	4,573	3.42%	4,573	\$0.00	1,200	0	(2,313)	2,889
North County Total	147	4,258,041	0	323,877	977,660	22.96%	1,123,325	\$1.25	12,878	(639)	107,943	(9,017)
South Bay												
Chula Vista	54	1,420,903	28,644	0	49,631	3.49%	178,031	\$1.22	2,142	(4,549)	13,646	166,692
National City	19	315,468	0	0	12,736	4.04%	13,846	\$0.00	2,476	(834)	18,985	(2,593)
Otay Mesa	2	102,452	0	0	1,132	1.10%	1,132	\$0.00	0	0	34,138	0
San Ysidro	3	93,630	0	0	18,816	20.10%	80,318	\$0.65	0	(18,816)	0	0
South Bay Total	78	1,932,453	28,644	0	82,315	4.26%	273,327	\$0.78	4,618	(24,199)	66,769	164,099
San Diego County Total	1,190	38,438,073	187,610	1,324,211	4,866,542	12.66%	6,365,851	\$1.46	24,512	(314,075)	(133,489)	957,166

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.

For further information, please contact:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868-1642

TEL: 714.978.7880
FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210
Chula Vista, CA 91910

TEL: 619.498.4560
FAX: 619.498.4567

IRVINE OFFICE

2020 Main St., Suite 100
Irvine, CA 92614

TEL: 949.851.5100
FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,
Suite 200
Las Vegas, NV 89135

TEL: 702.734.4500
FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,
Suite 990
San Diego, CA 92122-1233

TEL: 858.453.0505
FAX: 858.453.1981

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