

# R & D MARKET REPORT

THIRD QUARTER 2004

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](mailto:jholdner@voitco.com)



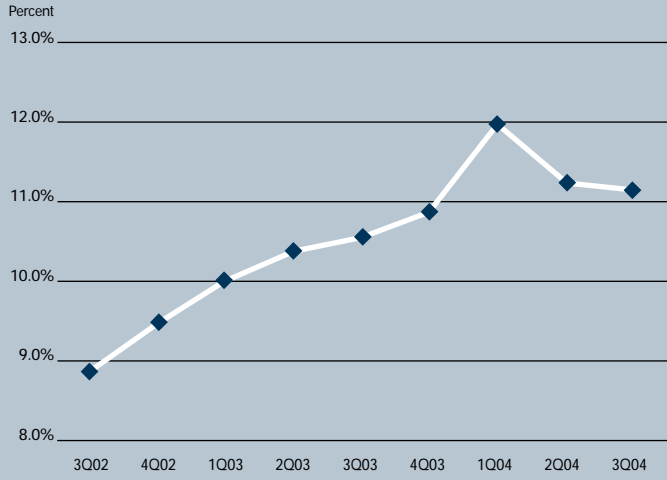
## MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2004 in San Diego County is 3.7%, which is a decrease of 0.4% since the second quarter of 2004 and down from the 4.3% 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 1,040,074 square feet of Research & Development construction underway, this figure is 11.62% higher than last year's third quarter number of 931,812 square feet.
- ◆ Planned Research & Development construction in San Diego County is up 89% when compared to last year. Currently, there is 1,705,318 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 902,470 square feet.
- ◆ The Research & Development vacancy rate is 11.16%, which is a little lower than it was during the second quarter of 2004 when it was 11.25% and is higher than last years figure of 9.19%.
- ◆ 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 negative 8,958 square feet of net absorption during the third quarter of 2004, giving the San Diego Research & Development Market a total of 337,165 square feet of negative absorption for 2004.

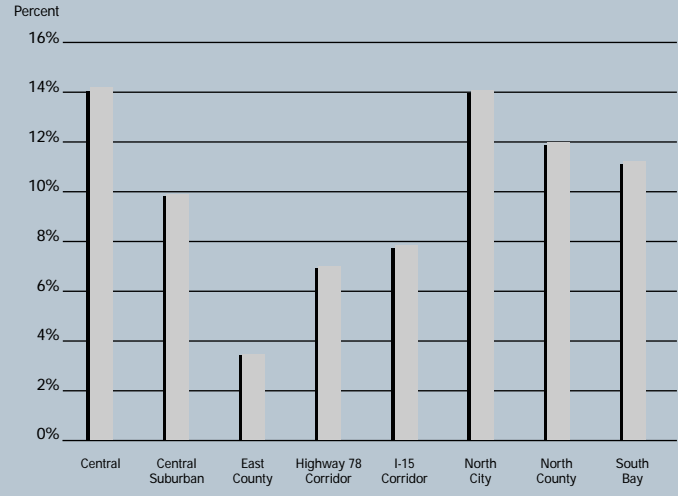
### R&D MARKET STATISTICS

|                      | 3Q2004    | 2Q2004    | 3Q2003  | % CHANGE VS. 3Q03 |
|----------------------|-----------|-----------|---------|-------------------|
| Under Construction   | 1,040,074 | 993,527   | 931,812 | 11.62%            |
| Planned Construction | 1,705,318 | 2,545,457 | 902,470 | 88.96%            |
| Vacancy              | 11.16%    | 11.25%    | 9.19%   | 21.44%            |
| Availability         | 15.59%    | 16.83%    | 12.49%  | 24.82%            |
| Pricing              | \$1.25    | \$1.28    | \$1.12  | 11.61%            |
| Net Absorption       | -78,958   | 74,292    | 237,742 | -133.21%          |

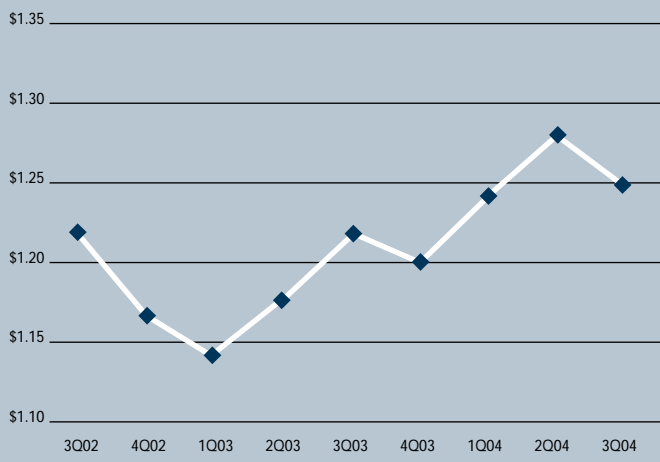
## VACANCY RATE



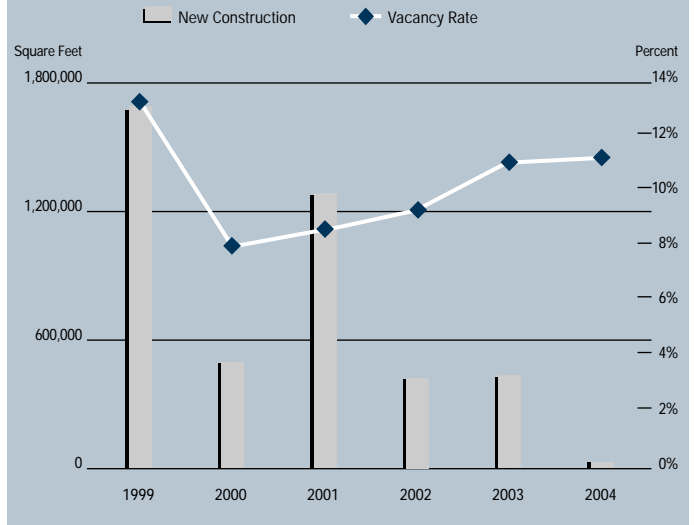
## VACANCY RATE BY SUBMARKET



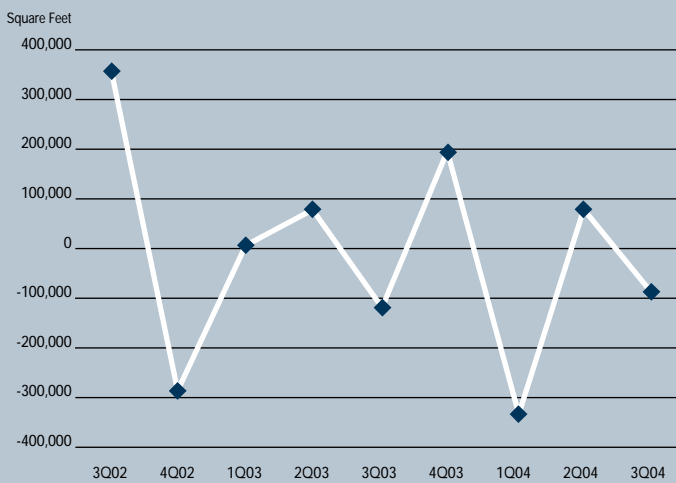
## AVERAGE ASKING TRIPLE NET LEASE RATE



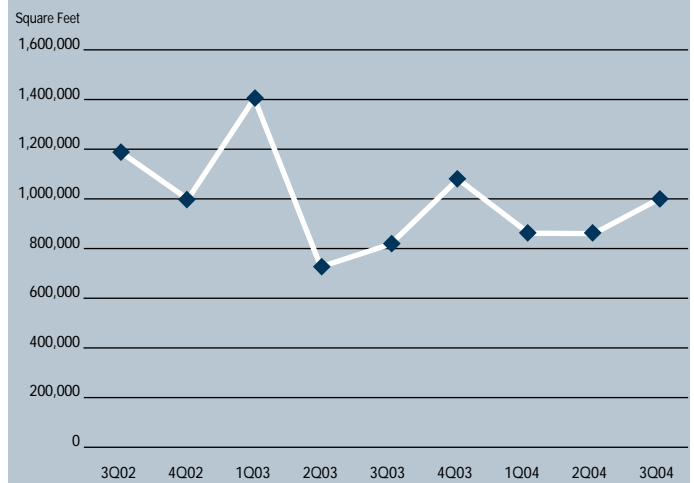
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



## S A N   D I E G O   C O U N T Y

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 3Q2004 | Total Availability 3Q2004 | Average Asking Lease Rate | Net Absorption 3Q2004 | Net Absorption 2004 |
| <b>Central</b>                   |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Downtown                         | 16                  | 557,292                  | 0                 | 0                   | 84,334               | 15.13%              | 84,334                    | \$0.75                    | 9,670                 | (26,274)            |
| East City                        | 1                   | 30,000                   | 0                 | 0                   | 0                    | 0.00%               | 0                         | \$0.00                    | 0                     | 0                   |
| <b>Central Total</b>             | <b>17</b>           | <b>587,292</b>           | <b>0</b>          | <b>0</b>            | <b>84,334</b>        | <b>14.36%</b>       | <b>84,334</b>             | <b>\$0.75</b>             | <b>9,670</b>          | <b>(26,274)</b>     |
| <b>Central Suburban</b>          |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Airport/Sports Arena             | 14                  | 274,813                  | 0                 | 0                   | 0                    | 0.00%               | 0                         | \$0.00                    | 5,000                 | 8,400               |
| Kearny Mesa                      | 137                 | 4,082,178                | 33,000            | 85,000              | 486,281              | 11.91%              | 535,744                   | \$1.21                    | 123,502               | 38,934              |
| Mission Gorge                    | 6                   | 105,054                  | 0                 | 0                   | 0                    | 0.00%               | 0                         | \$0.00                    | 2,565                 | 4,566               |
| Rose Canyon/Morena               | 27                  | 479,306                  | 0                 | 0                   | 5,754                | 1.20%               | 5,754                     | \$1.15                    | (5,000)               | 44,003              |
| <b>Central Suburban Total</b>    | <b>184</b>          | <b>4,941,351</b>         | <b>33,000</b>     | <b>85,000</b>       | <b>492,035</b>       | <b>9.96%</b>        | <b>541,498</b>            | <b>\$1.21</b>             | <b>126,067</b>        | <b>95,903</b>       |
| <b>East County</b>               |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| El Cajon                         | 39                  | 1,017,741                | 0                 | 0                   | 37,636               | 3.70%               | 42,986                    | \$0.85                    | (33,869)              | 1,151               |
| La Mesa/Spring Valley            | 3                   | 44,876                   | 0                 | 0                   | 0                    | 0.00%               | 0                         | \$0.00                    | 0                     | 0                   |
| Santee/Lakeside                  | 15                  | 233,039                  | 0                 | 0                   | 6,150                | 2.64%               | 6,150                     | \$0.00                    | (2,150)               | 4,850               |
| <b>East County Total</b>         | <b>57</b>           | <b>1,295,656</b>         | <b>0</b>          | <b>0</b>            | <b>43,786</b>        | <b>3.38%</b>        | <b>49,136</b>             | <b>\$0.85</b>             | <b>(36,019)</b>       | <b>6,001</b>        |
| <b>Highway 78 Corridor</b>       |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Oceanside                        | 7                   | 268,634                  | 501,690           | 870,310             | 32,059               | 11.93%              | 32,059                    | \$0.00                    | (21,571)              | (25,177)            |
| San Marcos                       | 15                  | 422,361                  | 0                 | 40,000              | 17,222               | 4.08%               | 69,914                    | \$0.00                    | (3,127)               | 14,315              |
| Vista/Fallbrook                  | 46                  | 1,462,145                | 0                 | 0                   | 104,540              | 7.15%               | 136,924                   | \$0.90                    | (19,645)              | (51,557)            |
| <b>Highway 78 Corridor Total</b> | <b>68</b>           | <b>2,153,140</b>         | <b>501,690</b>    | <b>910,310</b>      | <b>153,821</b>       | <b>7.14%</b>        | <b>238,897</b>            | <b>\$0.90</b>             | <b>(44,343)</b>       | <b>(62,419)</b>     |
| <b>I-15 Corridor</b>             |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Escondido                        | 8                   | 134,434                  | 0                 | 0                   | 7,510                | 5.59%               | 18,542                    | \$0.80                    | 855                   | (5,515)             |
| Poway                            | 34                  | 1,390,344                | 0                 | 65,000              | 47,597               | 3.42%               | 270,032                   | \$1.04                    | (119,777)             | (150,107)           |
| Rancho Bernardo                  | 72                  | 4,385,380                | 102,550           | 75,000              | 347,425              | 7.92%               | 729,638                   | \$1.08                    | 7,671                 | (115,834)           |
| Scripps Ranch                    | 15                  | 648,458                  | 0                 | 102,000             | 115,562              | 17.82%              | 122,747                   | \$1.21                    | 3                     | 6                   |
| <b>I-15 Corridor Total</b>       | <b>129</b>          | <b>6,558,616</b>         | <b>102,550</b>    | <b>242,000</b>      | <b>518,094</b>       | <b>7.90%</b>        | <b>1,140,959</b>          | <b>\$1.09</b>             | <b>(111,248)</b>      | <b>(271,450)</b>    |
| <b>North City</b>                |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| La Jolla                         | 32                  | 2,297,366                | 0                 | 0                   | 161,736              | 7.04%               | 270,536                   | \$2.11                    | (66,828)              | (74,128)            |
| Miramar                          | 110                 | 3,384,960                | 0                 | 11,760              | 672,652              | 19.87%              | 685,810                   | \$1.30                    | (16,517)              | (40,149)            |
| Sorrento Mesa                    | 120                 | 5,498,714                | 352,754           | 125,024             | 619,465              | 11.27%              | 1,054,848                 | \$1.21                    | (32,320)              | 271,431             |
| Sorrento Valley                  | 62                  | 1,683,059                | 0                 | 0                   | 317,693              | 18.88%              | 373,117                   | \$1.87                    | 31,060                | (168,114)           |
| UTC Center                       | 8                   | 562,975                  | 0                 | 126,000             | 132,721              | 23.57%              | 146,721                   | \$1.09                    | (14,000)              | (14,000)            |
| <b>North City Total</b>          | <b>332</b>          | <b>13,427,074</b>        | <b>352,754</b>    | <b>262,784</b>      | <b>1,904,267</b>     | <b>14.18%</b>       | <b>2,531,032</b>          | <b>\$1.41</b>             | <b>(98,605)</b>       | <b>(24,960)</b>     |
| <b>North County</b>              |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Carlsbad                         | 109                 | 4,423,685                | 0                 | 0                   | 536,730              | 12.13%              | 585,239                   | \$1.08                    | 112,130               | (25,604)            |
| North Beach Cities               | 6                   | 100,050                  | 0                 | 125,000             | 4,649                | 4.65%               | 4,649                     | \$0.00                    | (4,649)               | (4,029)             |
| <b>North County Total</b>        | <b>115</b>          | <b>4,523,735</b>         | <b>0</b>          | <b>125,000</b>      | <b>541,379</b>       | <b>11.97%</b>       | <b>589,888</b>            | <b>\$1.08</b>             | <b>107,481</b>        | <b>(29,633)</b>     |
| <b>South Bay</b>                 |                     |                          |                   |                     |                      |                     |                           |                           |                       |                     |
| Chula Vista                      | 18                  | 716,490                  | 50,080            | 80,224              | 46,140               | 6.44%               | 48,408                    | \$1.00                    | (13,125)              | (9,125)             |
| National City                    | 15                  | 254,668                  | 0                 | 0                   | 2,305                | 0.91%               | 2,305                     | \$1.01                    | (795)                 | 1,470               |
| Otay Mesa                        | 5                   | 296,054                  | 0                 | 0                   | 61,882               | 20.90%              | 169,587                   | \$0.52                    | 651                   | (10,994)            |
| San Ysidro                       | 6                   | 245,875                  | 0                 | 0                   | 59,692               | 24.28%              | 59,692                    | \$0.78                    | (18,692)              | (5,684)             |
| <b>South Bay Total</b>           | <b>44</b>           | <b>1,513,087</b>         | <b>50,080</b>     | <b>80,224</b>       | <b>170,019</b>       | <b>11.24%</b>       | <b>279,992</b>            | <b>\$0.65</b>             | <b>(31,961)</b>       | <b>(24,333)</b>     |
| <b>San Diego County Total</b>    | <b>946</b>          | <b>34,999,951</b>        | <b>1,040,074</b>  | <b>1,705,318</b>    | <b>3,907,735</b>     | <b>11.16%</b>       | <b>5,455,736</b>          | <b>\$1.25</b>             | <b>(78,958)</b>       | <b>(337,165)</b>    |

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

R & D MARKET  
**REPORT**

THIRD 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**

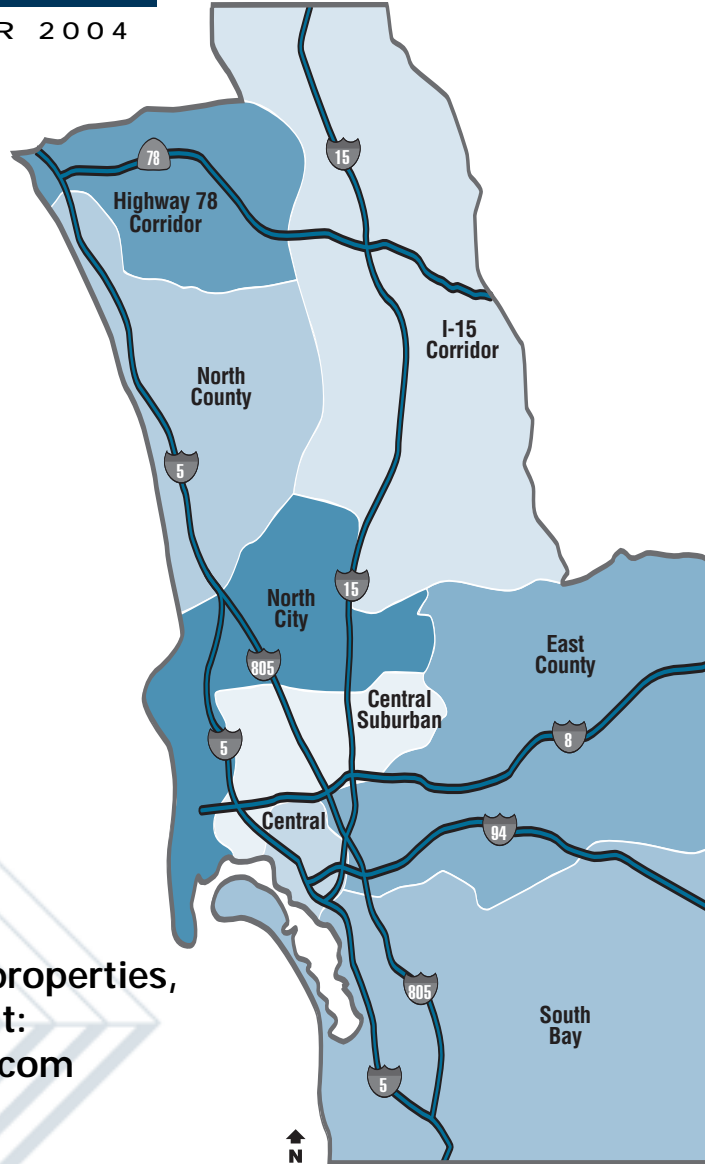
La Jolla  
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC Center

**NORTH COUNTY**

Carlsbad  
North Beach Cities

**SOUTH BAY**

Chula Vista  
National City  
Otay Mesa  
San Ysidro



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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**



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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.