

R & D MARKET REPORT

THIRD QUARTER 2005

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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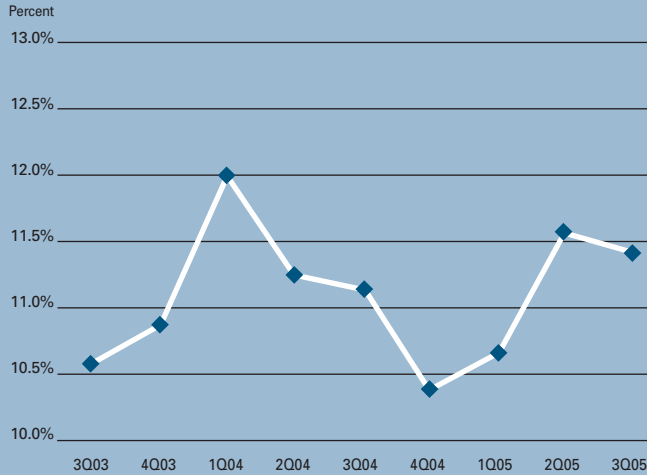
MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2005 in San Diego County is 4.3%, which is an increase of 0.5% since the second quarter of 2005 and up from the 3.7% 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 713,641 square feet of Research & Development construction underway, this figure is down 31.39% when compared to last year's third quarter number of 1,040,074 square feet. Although, 1,106,193 square feet of new development was delivered during the first three quarters of 2005.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,950,487 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,705,318 square feet.
- ◆ The Research & Development vacancy rate is 11.41%, which is lower than it was during the second quarter of 2005 when it was 11.61% and is a little higher than last year's figure of 11.16%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.32, which is a 2.40% increase over last year's third quarter rate of \$1.25. Rental rates are expected to increase 7 to 10% in 2005 as the economy improves.
- ◆ The Research & Development absorption checked in at 285,432 square feet of positive net absorption during the third quarter of 2005, giving the San Diego Research & Development Market a total of 1,188,897 square feet of positive absorption for 2005.

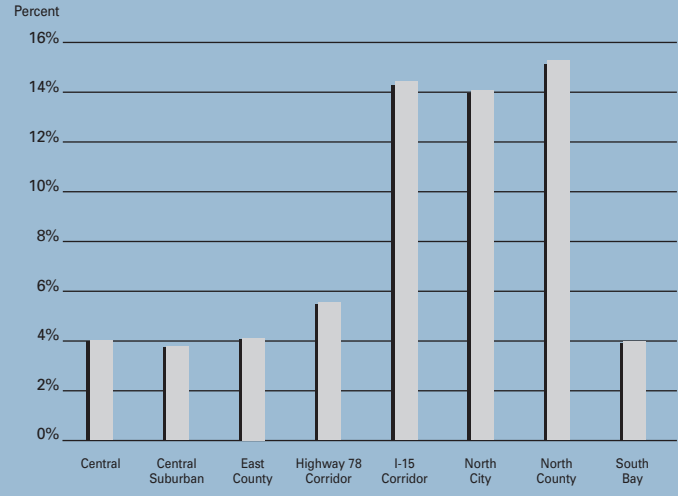
R&D MARKET STATISTICS

	3Q2005	2Q2005	3Q2004	% CHANGE VS. 3Q04
Under Construction	713,641	674,610	1,040,074	-31.39%
Planned Construction	1,950,487	1,961,073	1,705,318	14.38%
Vacancy	11.41%	11.61%	11.16%	2.24%
Availability	14.17%	17.42%	15.59%	-9.11%
Pricing	\$1.28	\$1.32	\$1.25	2.40%
Net Absorption	285,432	254,824	-78,958	N/A

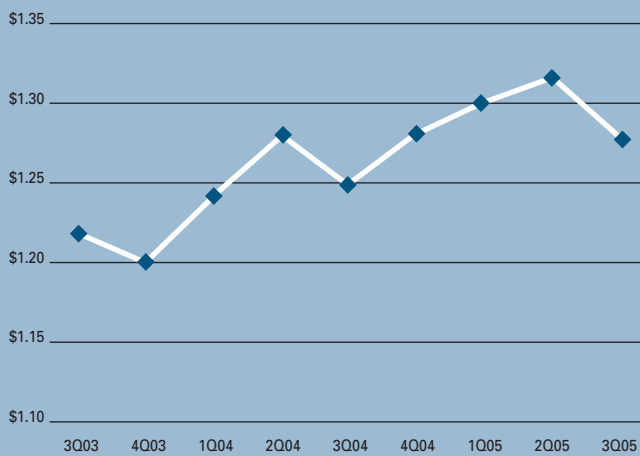
VACANCY RATE



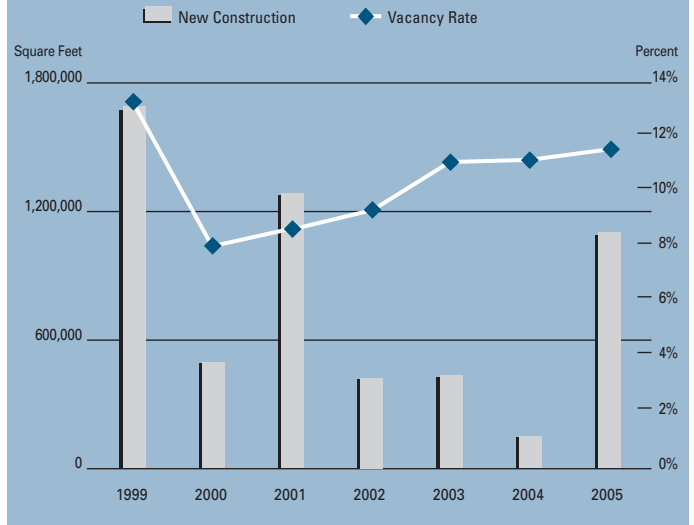
VACANCY RATE BY SUBMARKET



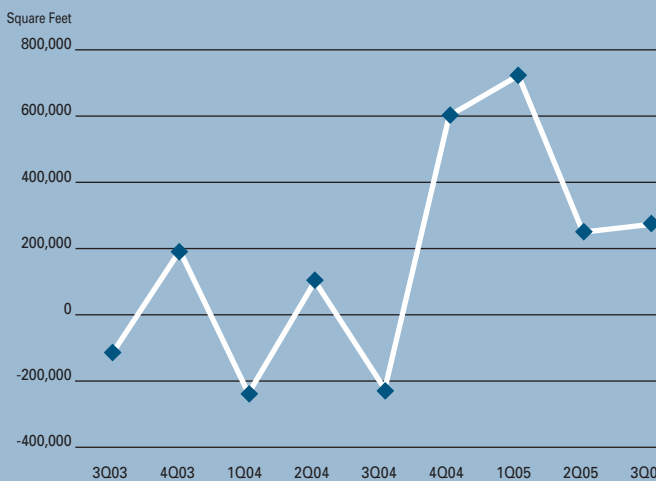
AVERAGE ASKING TRIPLE NET LEASE RATE



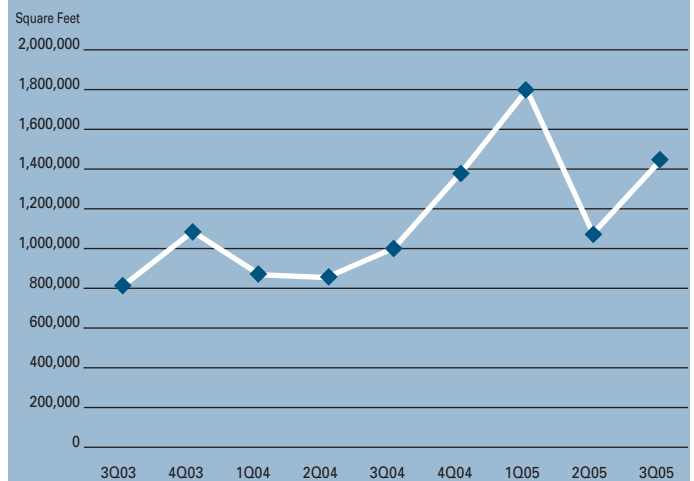
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 3Q2005	Total Availability 3Q2005	Average Asking Lease Rate	Net Absorption 3Q2005	Net Absorption 2005
Central										
Downtown	14	449,917	0	0	20,201	4.49%	20,201	\$0.00	30,769	37,585
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0
Central Total	15	479,917	0	0	20,201	4.21%	20,201	\$0.00	30,769	37,585
Central Suburban										
Airport/Sports Arena	13	254,813	0	0	0	0.00%	0	\$0.00	0	0
Kearny Mesa	142	4,222,980	0	58,458	185,708	4.40%	260,130	\$1.12	257,156	306,522
Mission Gorge	7	125,054	0	0	4,666	3.73%	4,666	\$0.00	(4,666)	(4,666)
Rose Canyon/Morena	27	479,306	0	0	4,206	0.88%	13,396	\$1.75	(36)	(3,452)
Central Suburban Total	189	5,082,153	0	58,458	194,580	3.83%	278,192	\$1.16	252,454	298,404
East County										
El Cajon	40	1,044,330	0	0	53,779	5.15%	93,316	\$0.80	31,525	(17,891)
La Mesa/Spring Valley	3	44,876	0	0	0	0.00%	0	\$0.00	0	0
Santee/Lakeside	15	232,901	0	0	4,000	1.72%	4,000	\$0.00	0	0
East County Total	58	1,322,107	0	0	57,779	4.37%	97,316	\$0.80	31,525	(17,891)
Highway 78 Corridor										
Oceanside	9	783,124	58,052	870,310	17,406	2.22%	21,406	\$0.00	(3,888)	504,264
San Marcos	15	412,961	14,725	0	11,174	2.71%	43,603	\$0.00	(1,695)	(7)
Vista/Fallbrook	44	1,370,431	0	160,543	111,667	8.15%	168,500	\$0.90	(27,657)	3,856
Highway 78 Corridor Total	68	2,566,516	72,777	1,030,853	140,247	5.46%	233,509	\$0.90	(33,240)	508,113
I-15 Corridor										
Escondido	11	175,614	0	0	22,944	13.07%	22,944	\$0.00	2,500	921
Poway	32	1,283,164	30,011	65,000	213,636	16.65%	255,313	\$0.98	(45,058)	(16,559)
Rancho Bernardo	72	4,502,253	0	127,000	688,009	15.28%	688,009	\$1.14	89,709	57,942
Scripps Ranch	15	648,455	0	80,000	43,560	6.72%	43,560	\$0.85	40,650	40,825
I-15 Corridor Total	130	6,609,486	30,011	272,000	968,149	14.65%	1,009,826	\$1.05	87,801	83,129
North City										
La Jolla	35	2,511,177	0	0	268,004	10.67%	397,437	\$2.16	(70,995)	3,104
Miramar	111	3,415,088	0	0	519,450	15.21%	628,322	\$1.47	87,064	138,380
Sorrento Mesa	126	5,728,465	373,454	0	729,199	12.73%	831,812	\$1.33	(25,462)	160,936
Sorrento Valley	65	1,586,903	0	0	309,371	19.50%	359,738	\$1.55	53,655	104,176
UTC Center	9	579,291	0	126,000	132,721	22.91%	132,721	\$1.15	0	14,000
North City Total	346	13,820,924	373,454	126,000	1,958,745	14.17%	2,350,030	\$1.44	44,262	420,596
North County										
Carlsbad	117	4,741,849	62,480	338,176	738,891	15.58%	954,671	\$1.07	(209,570)	(85,635)
North Beach Cities	6	109,450	0	125,000	3,750	3.43%	3,750	\$0.00	899	899
North County Total	123	4,851,299	62,480	463,176	742,641	15.31%	958,421	\$1.07	(208,671)	(84,736)
South Bay										
Chula Vista	23	917,847	174,919	0	55,125	6.01%	55,125	\$1.22	77,546	76,966
National City	15	254,668	0	0	2,154	0.85%	2,154	\$1.01	1,045	1,840
Otay Mesa	4	246,717	0	0	8,482	3.44%	144,916	\$0.00	1,941	4,063
San Ysidro	5	198,251	0	0	0	0.00%	2,843	\$0.00	0	18,692
South Bay Total	47	1,617,483	174,919	0	65,761	4.07%	205,038	\$1.22	80,532	101,561
San Diego County Total	976	36,349,885	713,641	1,950,487	4,148,103	11.41%	5,152,533	\$1.28	285,432	1,346,761

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 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

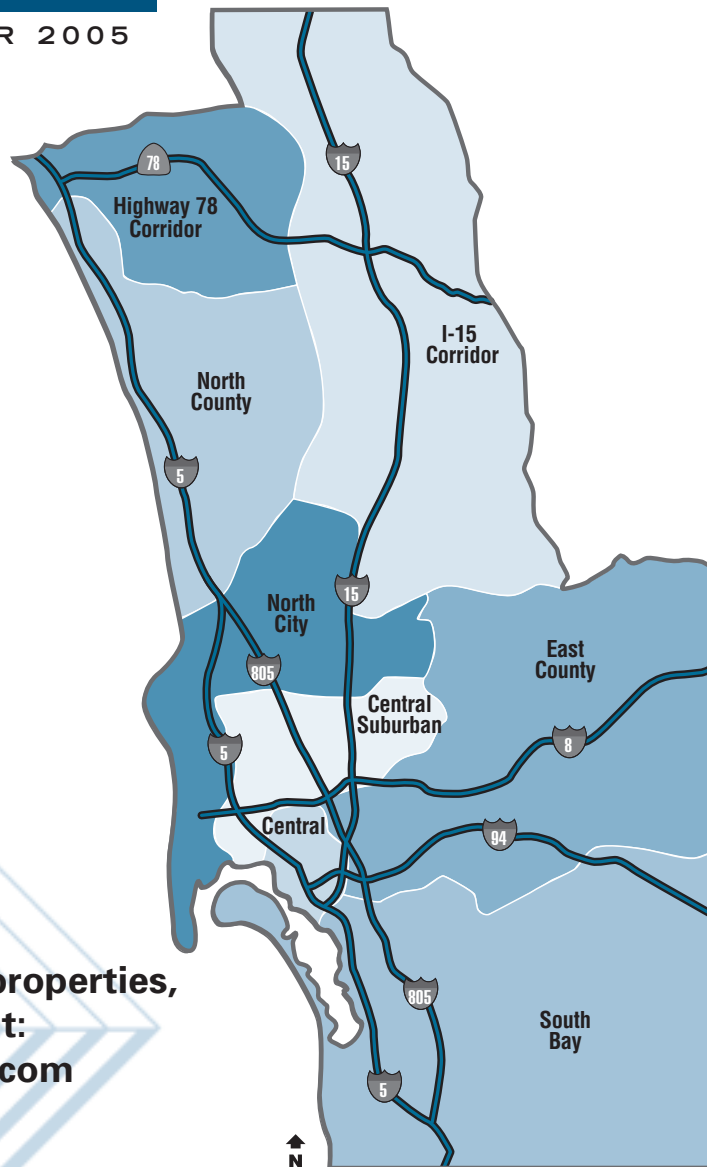
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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