



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN



Lease Rates



UP

Construction



FLAT

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

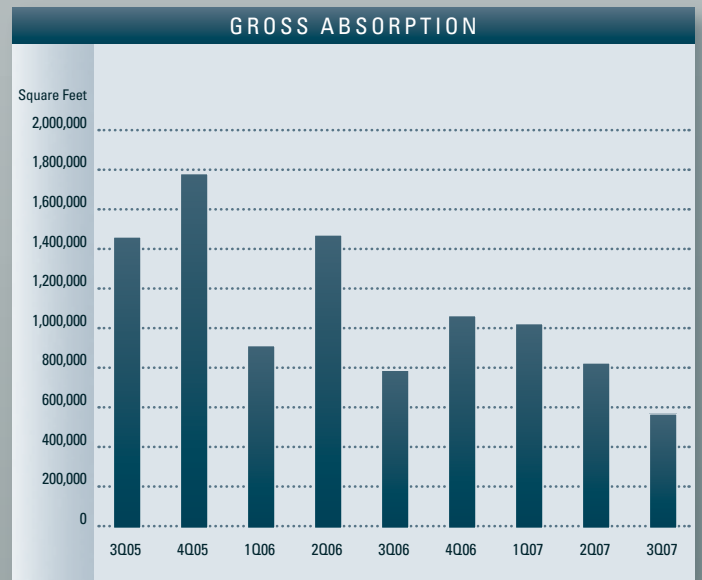
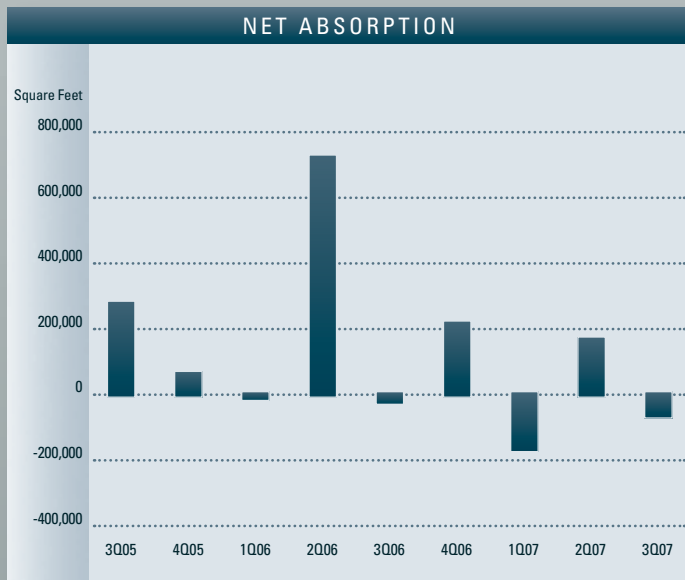
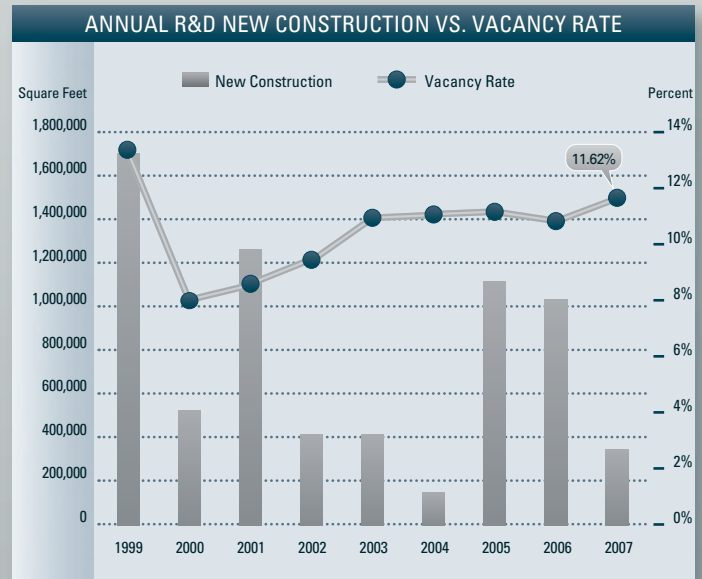
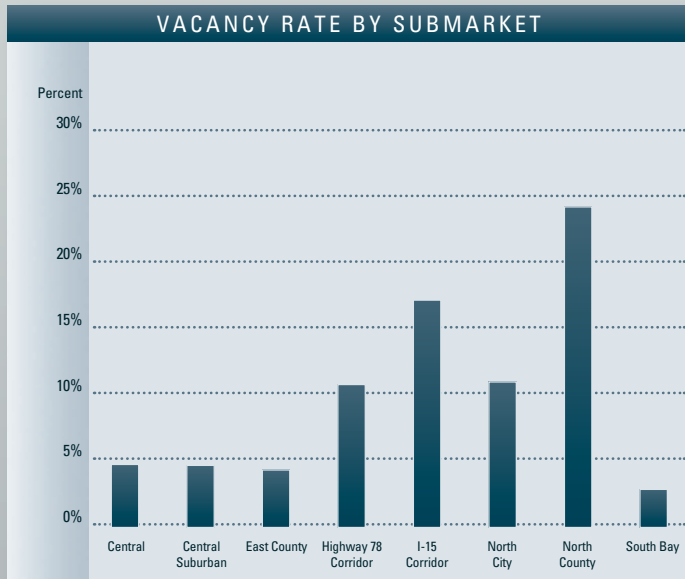
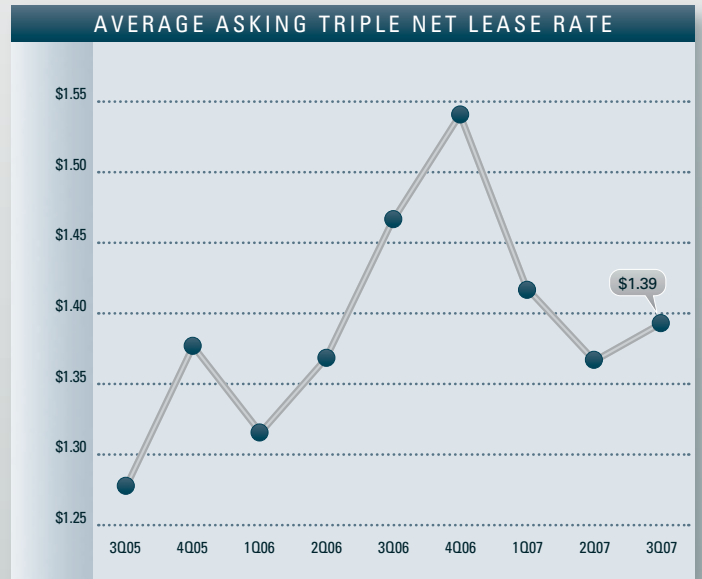
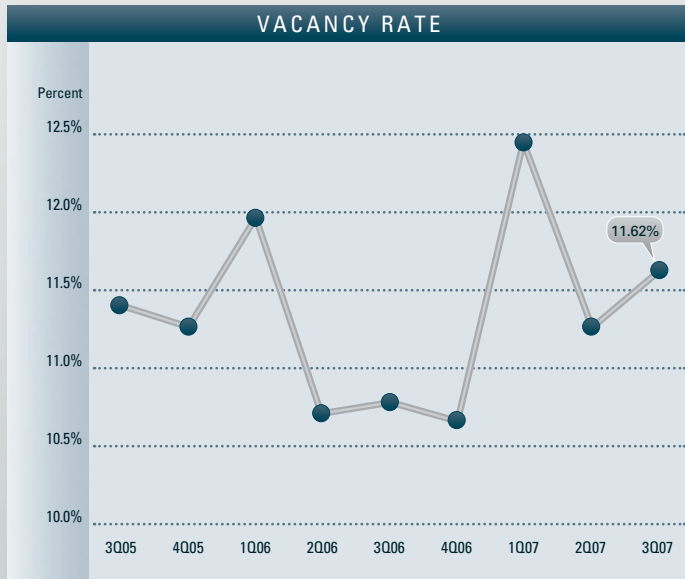
Market Highlights

- ◆ The Research & Development vacancy rate is 11.62%, which is a little higher than it was during the second quarter of 2007 when it was 11.24%, and is higher than last year's figure of 10.82%. One of the lowest vacancy rates in the county can be found in the Central Suburban submarket, coming in at 4.62%. 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 \$1.39, which is lower than last year's third quarter rate of \$1.47. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.48 per square foot. Rental rates are expected to increase 5% to 7% in 2007 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 58,092 square feet of negative net absorption during the third quarter of 2007, giving the Research & Development market a total of 169,401 square feet of negative absorption for 2007. Positive absorption has occurred in the South Bay, Highway 78 Corridor and East County submarkets: 67,777, 44,646 and 8,908sf respectively.
- ◆ Unemployment in the third quarter of 2007 in San Diego County is 4.8%, which is 0.6% higher than it was when compared to the second quarter of 2007, and 0.7% higher than it was a year ago.
- ◆ According to the 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 192,169 square feet of Research & Development construction underway. This figure is down 64.72% when compared to last year's third quarter number of 544,680 square feet. Although, 338,902 square feet of new development was delivered during the first three quarters of 2007.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,591,515 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 974,674 square feet.

R & D MARKET OVERVIEW

	3Q2007	2Q2007	3Q2006	% CHANGE VS. 3Q06
Under Construction	192,169	185,344	544,680	-64.72%
Planned Construction	1,591,515	1,428,252	954,674	66.71%
Vacancy	11.62%	11.24%	10.82%	7.39%
Availability	14.39%	14.50%	14.54%	-1.03%
Pricing	\$1.39	\$1.37	\$1.47	-5.44%
Net Absorption	-58,092	175,849	-30,893	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 3Q2007	Total Availability 3Q2007	Average Asking Lease Rate	Net Absorption 3Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
Central												
Downtown	13	382,488	0	0	19,218	5.02%	19,218	\$0.00	(1,431)	(1,303)	(2,387)	43,358
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0	390	(390)
Central Total	14	412,488	0	0	19,218	4.66%	19,218	\$0.00	(1,431)	(1,303)	(1,997)	42,968
Central Suburban												
Airport/Sports Arena	12	237,201	0	0	11,765	4.96%	11,765	\$0.00	(365)	2,135	(13,400)	0
Kearny Mesa	159	4,336,236	0	57,691	204,665	4.72%	445,644	\$1.38	(54,729)	(32,188)	66,336	224,560
Mission Gorge	10	149,469	0	0	11,510	7.70%	10,460	\$0.00	(2,575)	831	0	(2,936)
Rose Canyon/Morena	36	655,853	0	0	20,533	3.13%	34,876	\$1.60	(3,239)	(379)	(806)	(13,394)
Central Suburban Total	217	5,378,759	0	57,691	248,473	4.62%	502,745	\$1.39	(60,908)	(29,601)	52,130	208,230
East County												
El Cajon	51	1,175,992	0	0	63,469	5.40%	76,629	\$0.95	6,696	7,668	(17,656)	(15,952)
La Mesa/Spring Valley	10	177,283	0	0	5,210	2.94%	3,588	\$0.00	3,926	(5,210)	5,000	(5,000)
Santee/Lakeside	26	366,371	0	590,000	0	0.00%	0	\$0.00	0	6,450	(8,150)	2,000
East County Total	87	1,719,646	0	590,000	68,679	3.99%	80,217	\$0.95	10,622	8,908	(20,806)	(18,952)
Highway 78 Corridor												
Oceanside	28	1,076,091	0	0	168,060	15.62%	173,068	\$0.00	(1,827)	20,248	15,613	505,299
San Marcos	22	456,853	0	0	35,809	7.84%	35,809	\$1.29	8,557	12,296	(26,643)	(5,155)
Vista/Fallbrook	43	1,384,283	26,181	26,555	108,542	7.84%	146,436	\$1.00	(7,956)	12,102	(21,881)	42,365
Highway 78 Corridor Total	93	2,917,227	26,181	26,555	312,411	10.71%	355,313	\$1.05	(1,226)	44,646	(32,911)	542,509
I-15 Corridor												
Escondido	28	523,156	0	0	21,266	4.06%	21,266	\$0.00	(1,370)	16,984	101,082	(7,223)
Poway	43	1,072,622	0	65,000	368,850	34.39%	260,273	\$1.13	1,692	(107,120)	(96,467)	(28,008)
Rancho Bernardo	74	4,559,213	0	0	747,428	16.39%	803,013	\$1.41	(71,470)	(31,326)	131,795	85,984
Scripps Ranch	21	685,411	0	0	44,602	6.51%	100,797	\$1.20	7,015	(18,277)	30,223	40,825
I-15 Corridor Total	166	6,840,402	0	65,000	1,182,146	17.28%	1,185,349	\$1.30	(64,133)	(139,739)	166,633	91,578
North City												
La Jolla	35	2,555,568	0	0	442,217	17.30%	597,225	\$2.37	17,642	(1,841)	(120,772)	3,104
Miramar	119	3,678,461	0	83,930	252,942	6.88%	489,166	\$1.12	62,479	138,469	91,746	160,391
Sorrento Mesa	142	6,364,614	0	0	662,073	10.40%	860,789	\$1.44	(46,072)	(103,661)	419,089	233,779
Sorrento Valley	69	1,754,593	0	0	234,445	13.36%	339,174	\$1.98	(8,066)	(136,057)	115,241	188,459
UTC Center	11	688,761	83,966	356,871	16,752	2.43%	16,752	\$2.95	0	(16,752)	133,731	12,990
North City Total	376	15,041,997	83,966	440,801	1,608,429	10.69%	2,303,106	\$1.48	25,983	(119,842)	639,035	598,723
North County												
Carlsbad	133	3,986,851	53,378	411,468	974,606	24.45%	994,174	\$1.34	30,684	561	(11,906)	(134,464)
North Beach Cities	8	148,068	0	0	18,895	12.76%	18,895	\$0.00	2,900	(808)	2,889	0
North County Total	141	4,134,919	53,378	411,468	993,501	24.03%	1,013,069	\$1.34	33,584	(247)	(9,017)	(134,464)
South Bay												
Chula Vista	52	1,468,975	28,644	0	46,190	3.14%	72,861	\$1.26	(2,782)	10,538	166,692	84,568
National City	19	315,468	0	0	8,918	2.83%	8,918	\$0.00	2,199	21,969	(2,593)	(20,835)
Otay Mesa	4	246,717	0	0	0	0.00%	0	\$0.00	0	35,270	0	(22,725)
San Ysidro	4	147,270	0	0	0	0.00%	18,900	\$0.00	0	0	0	18,692
South Bay Total	79	2,178,430	28,644	0	55,108	2.53%	100,679	\$1.26	(583)	67,777	164,099	59,700
San Diego County Total	1,173	38,623,868	192,169	1,591,515	4,487,965	11.62%	5,559,696	\$1.39	(58,092)	(169,401)	957,166	1,390,292

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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