

R & D MARKET REPORT

FOURTH
QUARTER
2003

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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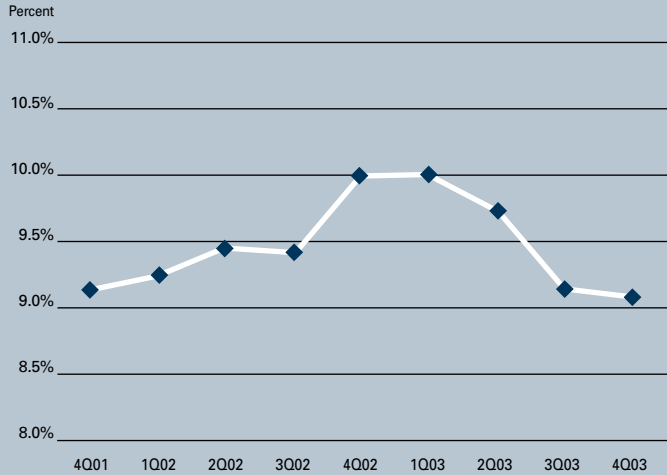
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2003 in San Diego County is 4.0%, which is a decrease of 0.3% since the third quarter of 2003 and down from the 4.1% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 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 893,162 square feet of Research & Development construction underway, this figure is 72% higher than last year's fourth quarter number of 519,270 square feet.
- ◆ Planned Research & Development construction in San Diego County is down 76% when compared to last year. Currently, there is 902,470 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 3,753,991 square feet.
- ◆ The Research & Development vacancy rate is 9.10%, which is lower than it was in during the third quarter of 2003 when it was 9.19% and is a little lower than last years figure of 10%. The flat vacancy rate would explain the drop in the average asking lease of \$1.15 when compared to last year.
- ◆ Rental rates are expected to remain flat and we should see rent concessions lessening during 2004 as the economy improves.
- ◆ The Research & Development absorption checked in at a positive 356,932 square feet of net absorption during the fourth quarter of 2003. This gives the San Diego R&D market a total of 1,103,176 square feet of positive absorption for 2003.

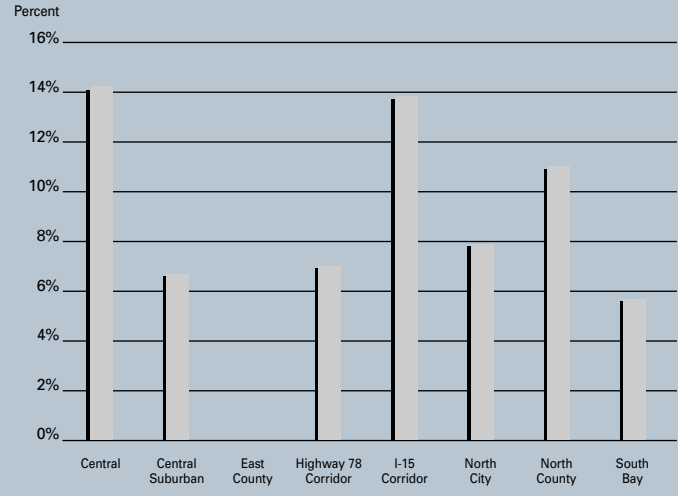
R&D MARKET STATISTICS

	2003	2002	2001	% CHANGE VS. 2002
Under Construction	893,162	519,270	857,147	72.00%
Planned Construction	902,470	3,753,991	2,203,031	-75.96%
Vacancy	9.10%	10.00%	10.05%	-9.00%
Pricing	\$1.15	\$1.31	\$1.18	-12.21%
Net Absorption	1,103,176	851,142	1,799,918	29.61%

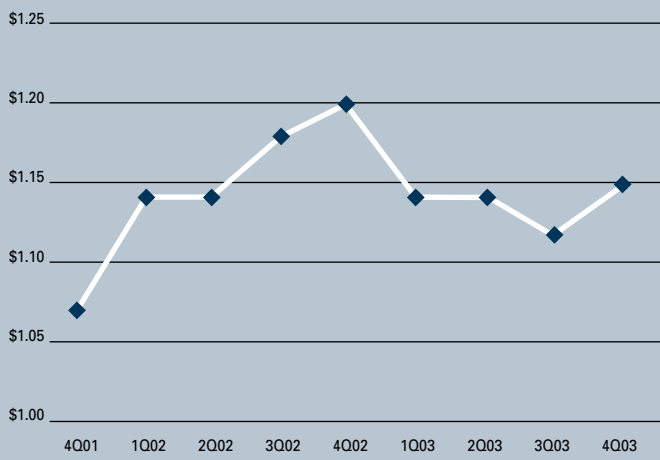
VACANCY RATE



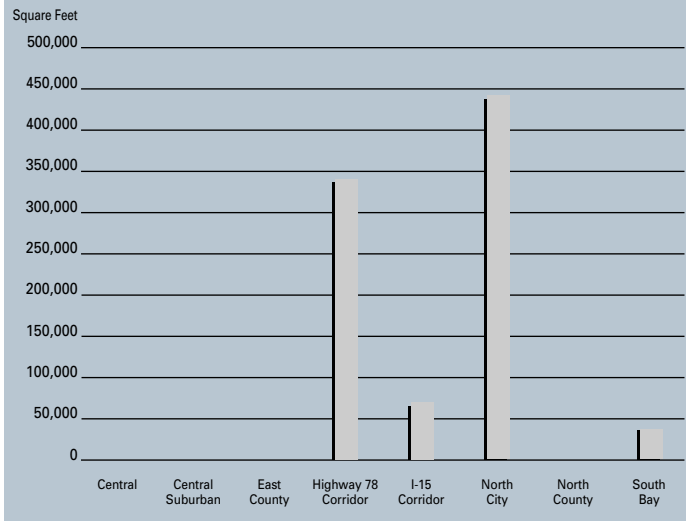
VACANCY RATE BY SUBMARKET



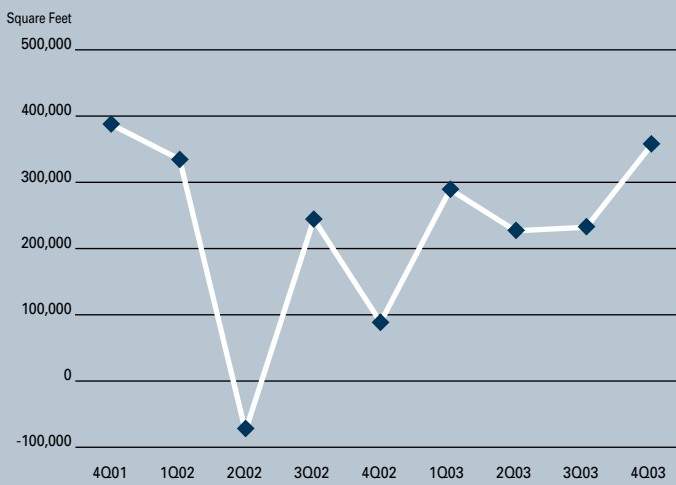
AVERAGE ASKING TRIPLE NET LEASE RATE



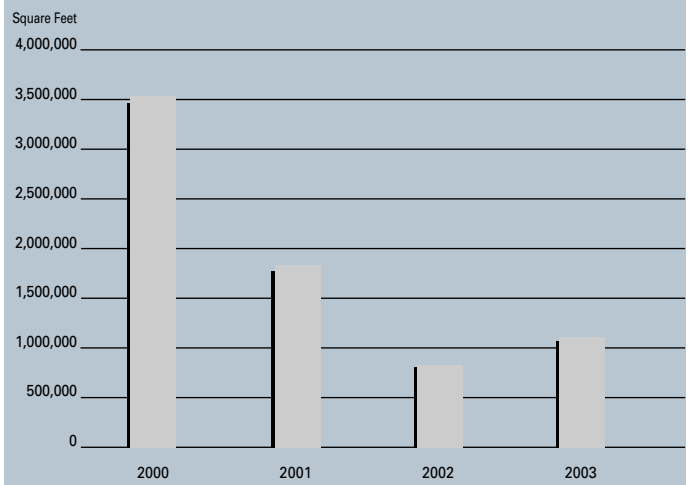
CONSTRUCTION ACTIVITY



QUARTERLY NET ABSORPTION



ANNUAL NET ABSORPTION



FOURTH QUARTER 2003

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 4Q2003	Total Availability 4Q2003	Average Asking Lease Rate	Net Absorption 4Q2003	Net Absorption 2003
Central										
Downtown	2	57,563	0	0	0	0.00%	0	\$0.00	0	0
SE San Diego	9	290,335	0	0	50,000	17.22%	50,000	\$0.00	0	0
Central Total	11	347,898	0	0	50,000	14.37%	50,000	\$0.00	0	0
Central Suburban										
Kearny Mesa	183	7,332,588	0	159,630	529,662	7.22%	664,734	\$1.08	(43,940)	144,185
Mission Gorge	17	432,684	0	0	1,500	0.35%	4,339	\$0.00	0	120,895
Mission Valley	13	421,801	0	74,670	31,800	7.54%	31,800	\$0.00	74,200	87,200
Rose Canyon	4	146,970	0	0	0	0.00%	0	\$0.00	0	(12,299)
Central Suburban Total	217	8,334,043	0	234,300	562,962	6.75%	700,873	\$1.08	30,260	339,981
East County										
El Cajon	6	264,640	0	0	0	0.00%	0	\$0.00	0	19,785
East County Total	6	264,640	0	0	0	0.00%	0	\$0.00	0	19,785
Highway 78 Corridor										
Oceanside	10	267,096	198,171	0	0	0.00%	20,314	\$0.52	0	10,084
San Marcos	21	576,119	53,730	0	6,600	1.15%	9,520	\$0.00	5,606	6,292
Vista/Fallbrook	39	1,764,779	90,950	0	176,525	10.00%	183,336	\$0.69	17,796	91,187
Highway 78 Corridor Total	70	2,607,994	342,851	0	183,125	7.02%	213,170	\$0.64	23,402	107,563
I-15 Corridor										
Carmel Mountain Ranch	17	1,076,943	0	178,272	109,476	10.17%	139,097	\$1.02	1,728	35,710
Escondido	21	404,525	69,500	0	0	0.00%	0	\$0.00	0	51,698
Poway	23	1,263,082	0	65,000	262,863	20.81%	266,902	\$0.92	(37,628)	94,698
Rancho Bernardo	49	3,741,825	0	0	477,756	12.77%	580,972	\$1.13	16,248	416,791
Sabre Springs	5	384,880	0	0	109,780	28.52%	112,742	\$1.15	192,779	195,859
Scripps Ranch	27	817,641	0	0	110,460	13.51%	110,460	\$0.88	(24,319)	(38,415)
I-15 Corridor Total	142	7,688,896	69,500	243,272	1,070,335	13.92%	1,210,173	\$1.05	148,808	756,341
North City										
Miramar	135	4,485,328	20,000	0	446,089	9.95%	729,894	\$1.09	(55,343)	(129,800)
Sorrento Mesa	166	8,472,413	379,000	270,000	652,945	7.71%	1,237,897	\$1.37	98,592	(100,858)
Sorrento Valley	94	2,619,074	0	0	222,961	8.51%	302,056	\$1.60	(12,044)	(98,940)
Torrey Pines	29	2,031,149	46,000	0	9,157	0.45%	89,157	\$0.00	(9,157)	(9,157)
UTC Center	20	1,325,743	0	0	177,721	13.41%	196,911	\$3.00	(30,000)	(162,000)
North City Total	444	18,933,707	445,000	270,000	1,508,873	7.97%	2,555,915	\$1.31	(7,952)	(425,952)
North County										
Carlsbad	144	6,291,290	0	29,898	710,328	11.29%	1,008,362	\$1.08	148,414	222,185
North Beach Cities	2	107,000	0	125,000	0	0.00%	0	\$0.00	0	2,480
North County Total	146	6,398,290	0	154,898	710,328	11.10%	1,008,362	\$1.08	148,414	224,665
South Bay										
Chula Vista	10	558,604	35,811	0	7,755	1.39%	7,755	\$0.00	0	0
Otay Mesa	3	208,600	0	0	0	0.00%	0	\$0.00	0	66,793
San Ysidro	2	101,000	0	0	40,000	39.60%	87,000	\$0.66	14,000	14,000
South Bay Total	15	868,204	35,811	0	47,755	5.50%	94,755	\$0.66	14,000	80,793
San Diego County Total	1,051	45,443,672	893,162	902,470	4,133,378	9.10%	5,833,248	\$1.15	356,932	1,103,176

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

R & D MARKET
REPORT

FOURTH QUARTER 2003

SUBMARKETS

CENTRAL

Downtown
SE San Diego

CENTRAL SUBURBAN

Kearny Mesa
Mission Gorge
Mission Valley
Rose Canyon

EAST COUNTY

El Cajon

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista/Fallbrook

I-15 CORRIDOR

Carmel Mountain Ranch
Escondido
Poway
Rancho Bernardo
Sabre Springs
Scripps Ranch

NORTH CITY

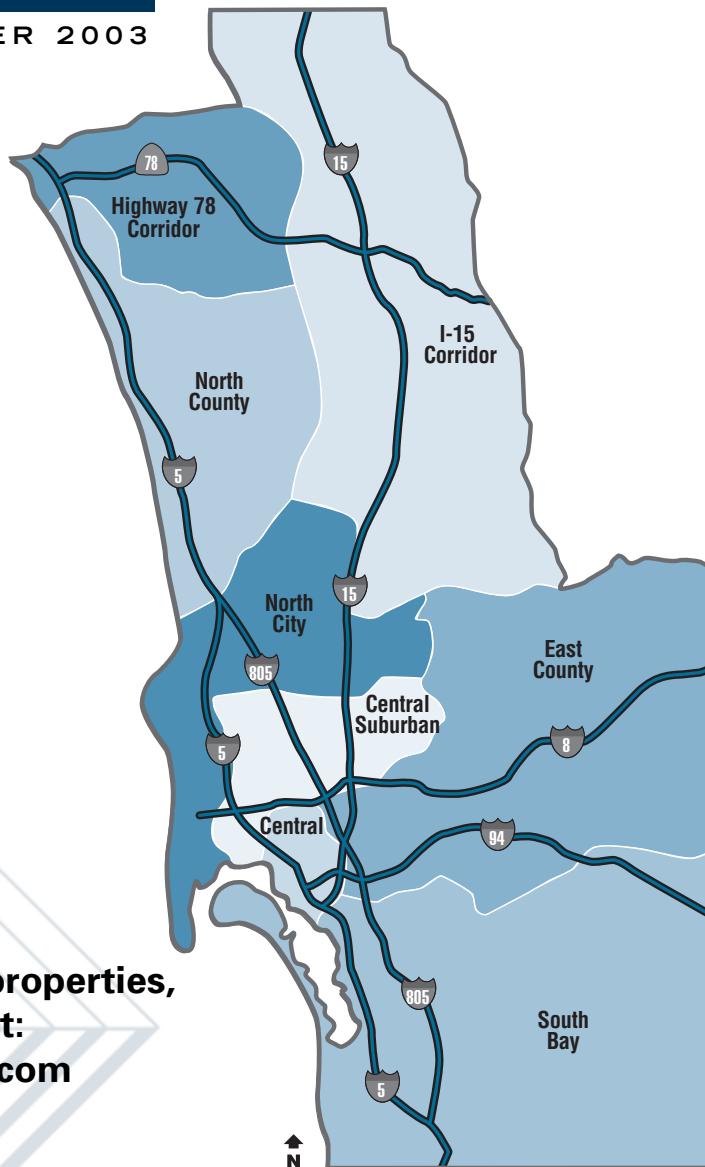
Miramar
Sorrento Mesa
Sorrento Valley
Torrey Pines
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
Otay Mesa
San Ysidro



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