

R & D MARKET REPORT

FOURTH
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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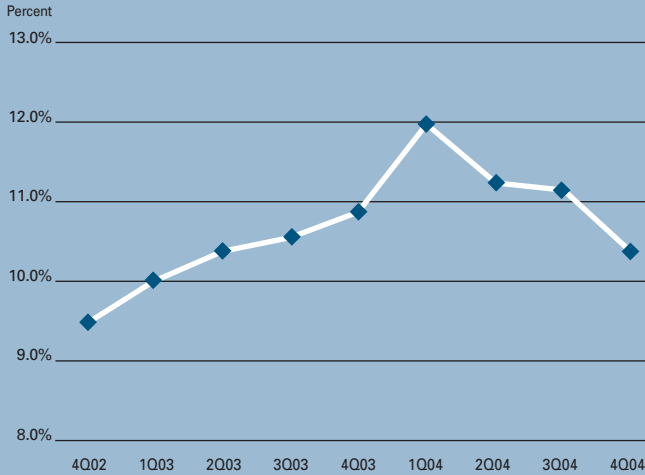
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2004 in San Diego County is 3.4%, which is a decrease of 0.3% since the third quarter of 2004 and down from the 4.0% 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 1,112,788 square feet of Research & Development construction underway, this figure is nearly double than last year's fourth quarter number of 579,925 square feet.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,555,982 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 10.41%, which is a little lower than it was during the third quarter of 2004 when it was 11.16% and is higher than last years figure of 9.10%.
- ◆ Rental rates are expected to increase 3 to 5% in 2005 as the economy improves.
- ◆ The Research & Development absorption checked in at 603,811 square feet of positive net absorption during the fourth quarter of 2004, giving the San Diego Research & Development Market a total of 272,654 square feet of positive absorption for 2004.

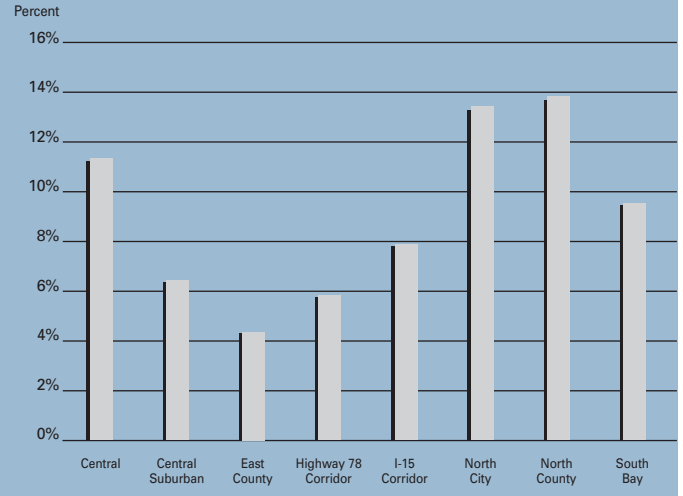
R&D MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	146,195	404,580	411,936	-63.86%
Under Construction	1,112,788	579,925	866,690	91.88%
Vacancy Rate	10.41%	9.10%	10.00%	14.40%
Availability Rate	15.43%	12.84%	13.12%	20.17%
Average Asking Lease Rate	\$1.28	\$1.15	\$1.31	11.30%
Net Absorption	272,654	148,150	(54,668)	84.04%
Gross Activity	4,062,056	4,053,070	4,318,928	0.22%

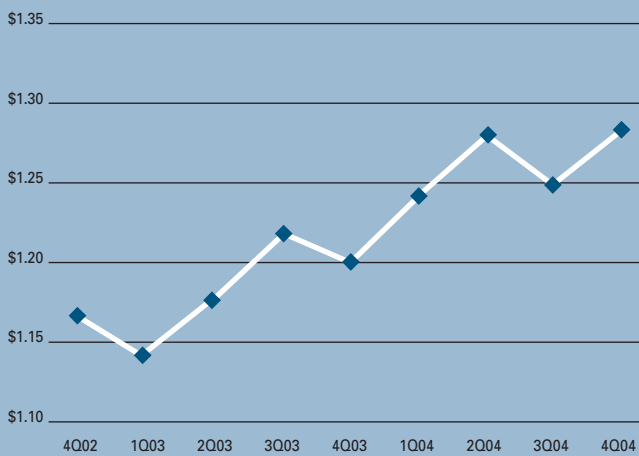
VACANCY RATE



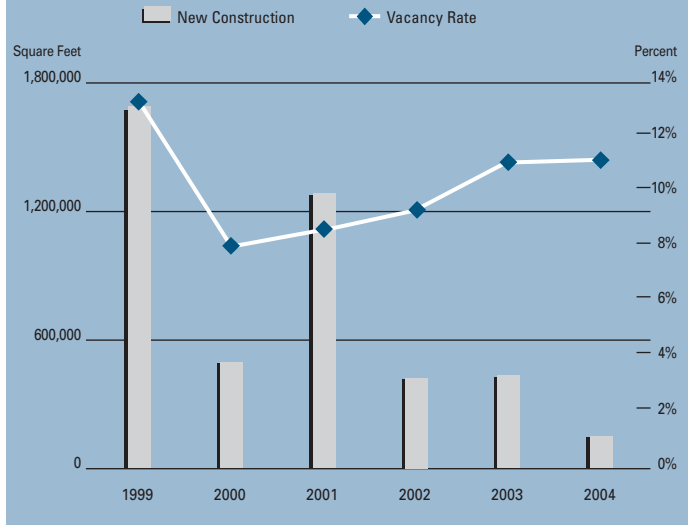
VACANCY RATE BY SUBMARKET



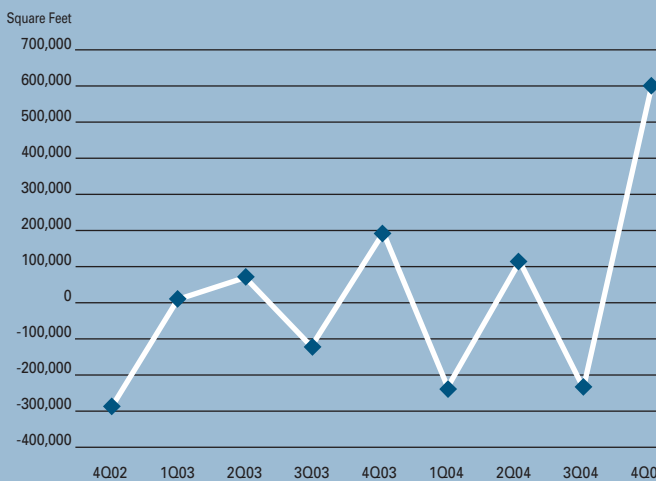
AVERAGE ASKING TRIPLE NET LEASE RATE



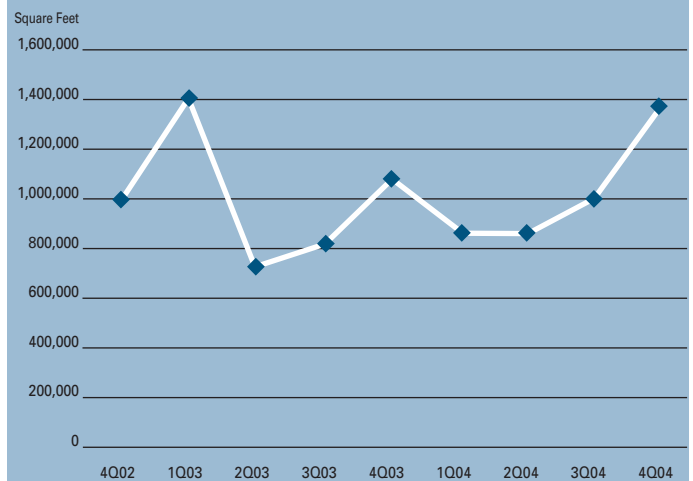
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



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 4Q2004	Total Availability 4Q2004	Average Asking Lease Rate	Net Absorption 4Q2004	Net Absorption 2004
Central										
Downtown	15	469,917	0	0	56,786	12.08%	58,261	\$1.00	(17,112)	(42,386)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0
Central Total	16	499,917	0	0	56,786	11.36%	58,261	\$1.00	(17,112)	(42,386)
Central Suburban										
Airport/Sports Arena	14	274,813	0	0	0	0.00%	0	\$0.00	0	8,400
Kearny Mesa	142	4,211,866	33,000	58,458	331,685	7.88%	434,941	\$1.09	281,840	302,285
Mission Gorge	6	105,054	0	0	0	0.00%	0	\$0.00	0	4,566
Rose Canyon/Morena	27	479,306	0	0	754	0.16%	754	\$0.00	5,000	49,003
Central Suburban Total	189	5,071,039	33,000	58,458	332,439	6.56%	435,695	\$1.09	286,840	364,254
East County										
El Cajon	40	1,036,235	0	0	56,952	5.50%	76,852	\$0.75	(14,869)	15,489
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%	9,000	\$0.00	2,150	7,000
East County Total	58	1,314,012	0	0	60,952	4.64%	85,852	\$0.75	(12,719)	22,489
Highway 78 Corridor										
Oceanside	7	268,634	501,690	870,310	19,980	7.44%	19,980	\$0.00	12,079	(13,098)
San Marcos	16	440,241	0	40,000	29,047	6.60%	74,489	\$0.95	6,055	20,370
Vista/Fallbrook	46	1,462,145	0	0	77,847	5.32%	130,314	\$0.90	76,544	(45,104)
Highway 78 Corridor Total	69	2,171,020	501,690	910,310	126,874	5.84%	224,783	\$0.92	94,678	(37,832)
I-15 Corridor										
Escondido	8	134,434	0	0	17,017	12.66%	17,017	\$0.00	1,525	(3,990)
Poway	33	1,319,173	0	65,000	27,665	2.10%	196,439	\$1.08	(19,049)	(145,823)
Rancho Bernardo	72	4,385,380	102,550	75,000	381,055	8.69%	622,871	\$1.11	63,516	(48,108)
Scripps Ranch	15	648,455	0	102,000	84,385	13.01%	108,194	\$1.29	31,177	31,177
I-15 Corridor Total	128	6,487,442	102,550	242,000	510,122	7.86%	944,521	\$1.13	77,169	(166,744)
North City										
La Jolla	32	2,297,366	0	0	228,876	9.96%	349,608	\$2.09	(74,072)	(157,200)
Miramar	108	3,330,650	0	11,760	650,808	19.54%	784,990	\$1.50	(36,419)	(8,210)
Sorrento Mesa	120	5,210,609	395,324	82,454	447,256	8.58%	996,573	\$1.31	204,680	464,464
Sorrento Valley	63	1,705,506	0	0	291,002	17.06%	374,899	\$1.81	12,424	(119,465)
UTC Center	8	562,975	0	126,000	132,721	23.57%	146,721	\$1.09	0	0
North City Total	331	13,107,106	395,324	220,214	1,750,663	13.36%	2,652,791	\$1.47	106,613	179,589
North County										
Carlsbad	109	4,416,888	0	0	623,184	14.11%	707,103	\$1.06	29,455	(66,233)
North Beach Cities	6	100,050	0	125,000	4,649	4.65%	4,649	\$0.00	0	(4,029)
North County Total	115	4,516,938	0	125,000	627,833	13.90%	711,752	\$1.06	29,455	(70,262)
South Bay										
Chula Vista	20	766,570	80,224	0	58,440	7.62%	58,440	\$1.10	40,576	53,451
National City	15	254,668	0	0	3,994	1.57%	3,994	\$1.02	(1,689)	(219)
Otay Mesa	5	296,054	0	0	61,882	20.90%	157,523	\$0.52	0	(10,994)
San Ysidro	5	191,867	0	0	18,692	9.74%	18,692	\$0.00	0	(18,692)
South Bay Total	45	1,509,159	80,224	0	143,008	9.48%	238,649	\$0.80	38,887	23,546
San Diego County Total	951	34,676,633	1,112,788	1,555,982	3,608,677	10.41%	5,352,304	\$1.28	603,811	272,654

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 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

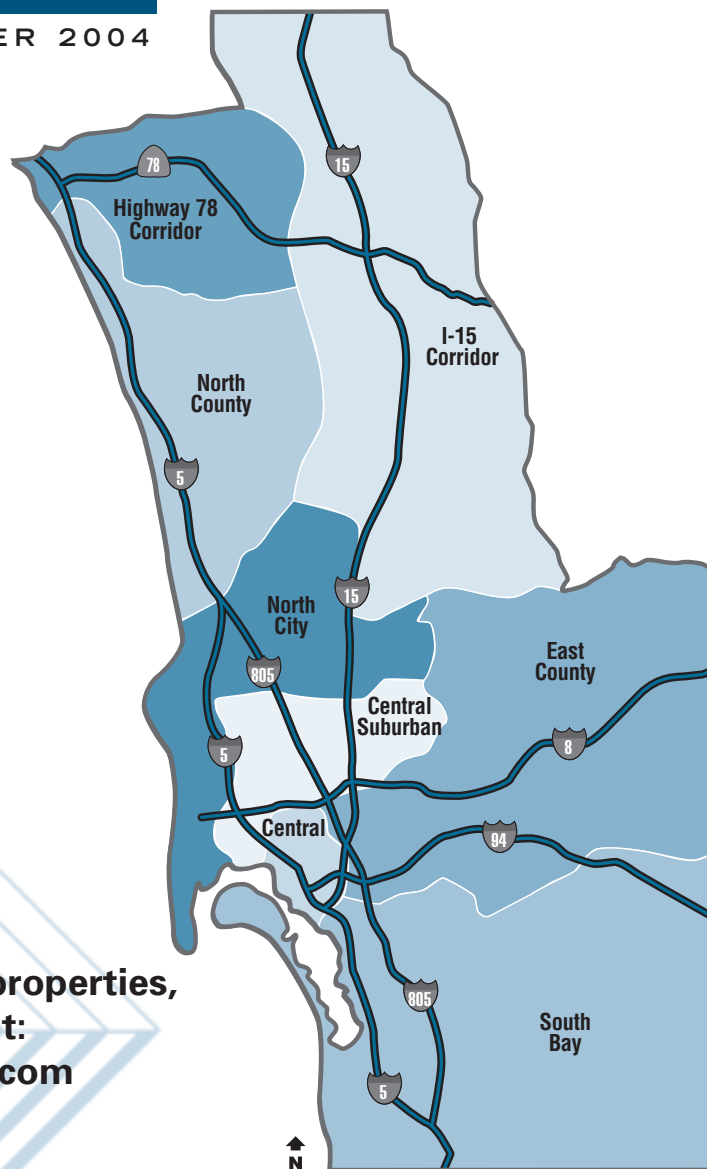
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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