

R & D MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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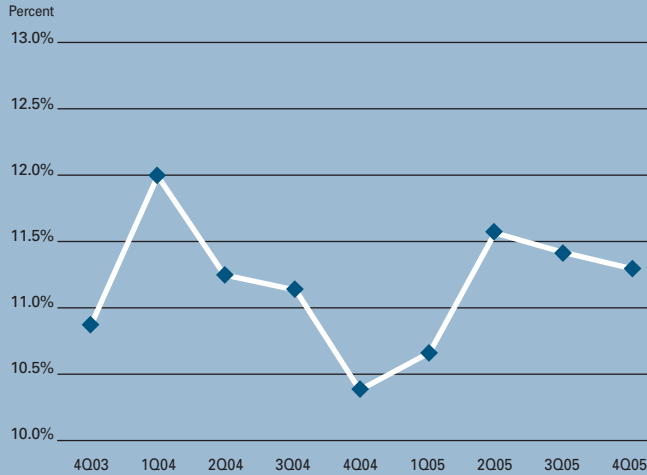
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2005 in San Diego County is 4.2%, which is a decrease of 0.1% since the third quarter of 2005 and down from the 4.4% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2005, and they are forecasting 23,000 new jobs in 2006. They are also forecasting a 6.8% increase in total personal income for 2005.
- ◆ Currently there is 787,806 square feet of Research & Development construction underway, this figure is down 29.20% when compared to last year's fourth quarter number of 1,112,788 square feet. Although, 1,106,215 square feet of new development was delivered during 2005.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 1,058,847 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,555,982 square feet.
- ◆ The Research & Development vacancy rate is 11.28%, which is lower than it was during the third quarter of 2005 when it was 11.41% and is a little higher than last years figure of 10.41%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.37, which is a 7.03% increase over last year's fourth quarter rate of \$1.28. Rental rates are expected to increase 5 to 7% in 2006 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 66,485 square feet of positive net absorption during the fourth quarter of 2005, giving the San Diego Research & Development Market a total of 1,390,292 square feet of positive absorption for 2005.

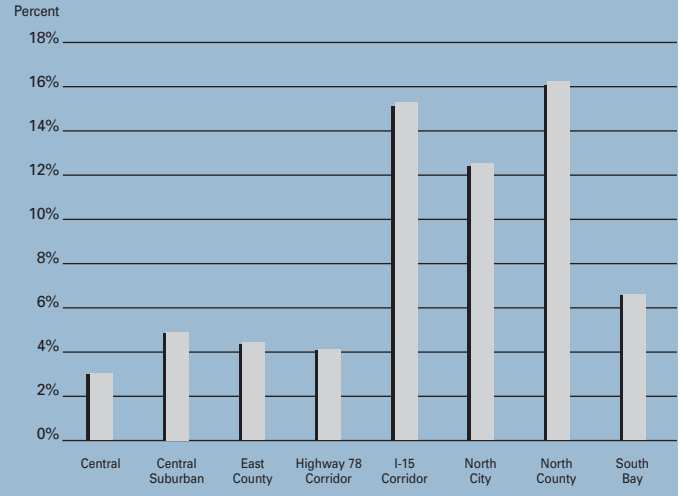
R&D MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	1,106,215	146,195	404,580	656.67%
Under Construction	787,806	1,112,788	579,925	-29.20%
Vacancy Rate	11.28%	10.41%	9.10%	8.36%
Availability Rate	13.85%	15.43%	12.84%	-10.24%
Average Asking Lease Rate	\$1.37	\$1.28	\$1.15	7.03%
Net Absorption	1,390,292	272,654	148,150	409.91%
Gross Activity	5,270,501	4,062,056	4,053,070	29.75%

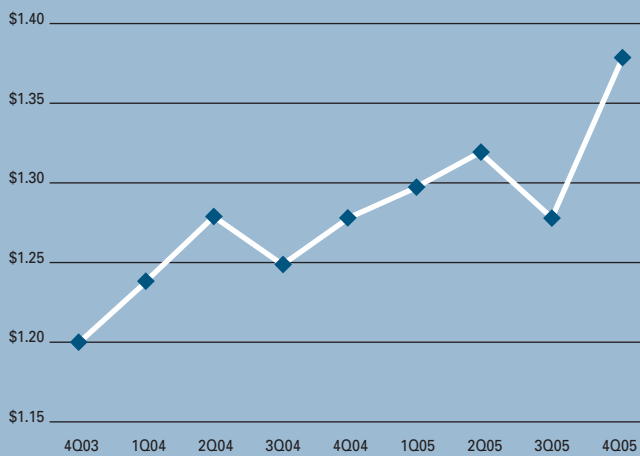
VACANCY RATE



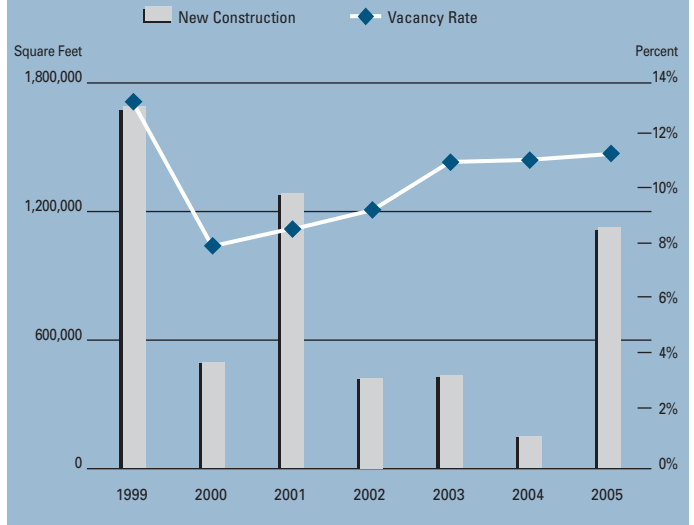
VACANCY RATE BY SUBMARKET



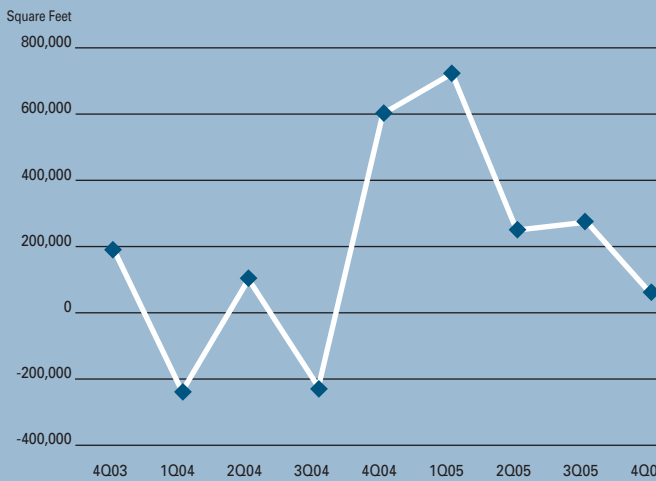
AVERAGE ASKING TRIPLE NET LEASE RATE



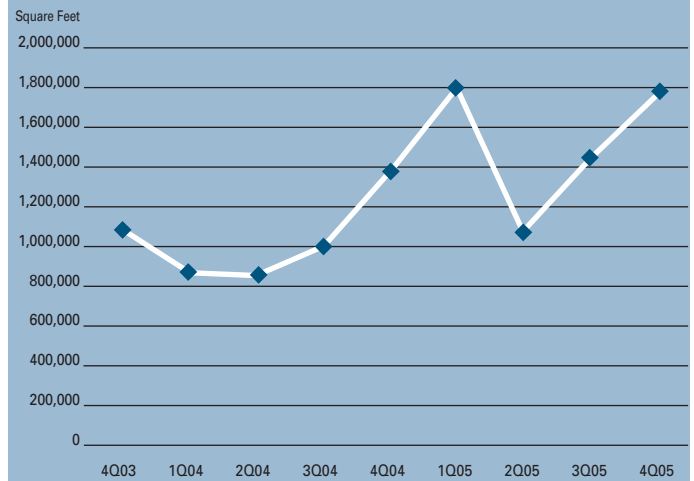
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 4Q2005	Total Availability 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005
Central										
Downtown	15	469,917	0	0	14,428	3.07%	14,428	\$0.00	5,773	43,358
East City	1	30,000	0	0	390	1.30%	390	\$0.00	(390)	(390)
Central Total	16	499,917	0	0	14,818	2.96%	14,818	\$0.00	5,383	42,968
Central Suburban										
Airport/Sports Arena	12	241,813	0	0	0	0.00%	0	\$0.00	0	0
Kearny Mesa	144	4,253,302	0	58,450	233,813	5.50%	238,153	\$1.17	(64,032)	224,560
Mission Gorge	7	125,054	0	0	2,936	2.35%	2,936	\$0.00	0	(2,936)
Rose Canyon/Morena	28	499,607	0	0	14,148	2.83%	23,338	\$1.60	(4,650)	(13,394)
Central Suburban Total	191	5,119,776	0	58,450	250,897	4.90%	264,427	\$1.21	(68,682)	208,230
East County										
El Cajon	40	1,044,330	0	0	51,840	4.96%	73,311	\$0.83	1,939	(15,952)
La Mesa/Spring Valley	3	44,876	0	0	5,000	11.14%	5,000	\$0.00	(5,000)	(5,000)
Santee/Lakeside	15	232,901	0	0	2,000	0.86%	2,000	\$0.00	2,000	2,000
East County Total	58	1,322,107	0	0	58,840	4.45%	80,311	\$0.83	(1,061)	(18,952)
Highway 78 Corridor										
Oceanside	9	783,124	58,052	0	16,371	2.09%	16,371	\$0.00	1,035	505,299
San Marcos	15	412,961	14,725	0	16,322	3.95%	46,526	\$0.00	(6,423)	(5,155)
Vista/Fallbrook	44	1,370,431	0	0	73,158	5.34%	179,264	\$0.90	36,809	42,365
Highway 78 Corridor Total	68	2,566,516	72,777	0	105,851	4.12%	242,161	\$0.90	31,421	542,509
I-15 Corridor										
Escondido	14	273,972	0	0	95,082	34.71%	98,917	\$1.25	(8,144)	(7,223)
Poway	32	1,283,164	30,011	65,000	225,085	17.54%	328,401	\$1.01	(11,449)	(28,008)
Rancho Bernardo	72	4,502,253	0	127,000	659,967	14.66%	659,967	\$1.42	28,042	85,984
Scripps Ranch	15	648,455	0	80,000	43,560	6.72%	43,560	\$0.95	0	40,825
I-15 Corridor Total	133	6,707,844	30,011	272,000	1,023,694	15.26%	1,130,845	\$1.28	8,449	91,578
North City										
La Jolla	35	2,511,177	0	0	268,004	10.67%	397,437	\$2.68	0	3,104
Miramar	110	3,396,464	0	0	478,967	14.10%	569,240	\$1.54	26,448	160,391
Sorrento Mesa	126	5,727,929	373,454	0	656,334	11.46%	789,825	\$1.40	72,843	233,779
Sorrento Valley	65	1,586,613	0	0	225,088	14.19%	265,554	\$1.69	84,283	188,459
UTC Center	9	580,301	0	129,000	133,731	23.05%	133,731	\$1.15	(1,010)	12,990
North City Total	345	13,802,484	373,454	129,000	1,762,124	12.77%	2,155,787	\$1.53	182,564	598,723
North County										
Carlsbad	118	4,755,358	136,645	599,397	787,720	16.56%	1,001,719	\$1.16	(48,829)	(134,464)
North Beach Cities	6	109,450	0	0	4,649	4.25%	4,649	\$0.00	(899)	0
North County Total	124	4,864,808	136,645	599,397	792,369	16.29%	1,006,368	\$1.16	(49,728)	(134,464)
South Bay										
Chula Vista	23	917,847	174,919	0	47,523	5.18%	47,523	\$1.22	7,602	84,568
National City	15	254,668	0	0	24,829	9.75%	24,829	\$0.00	(22,675)	(20,835)
Otay Mesa	4	246,717	0	0	35,270	14.30%	89,478	\$0.00	(26,788)	(22,725)
San Ysidro	5	198,251	0	0	0	0.00%	0	\$0.00	0	18,692
South Bay Total	47	1,617,483	174,919	0	107,622	6.65%	161,830	\$1.22	(41,861)	59,700
San Diego County Total	982	36,500,935	787,806	1,058,847	4,116,215	11.28%	5,056,547	\$1.37	66,485	1,390,292

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 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

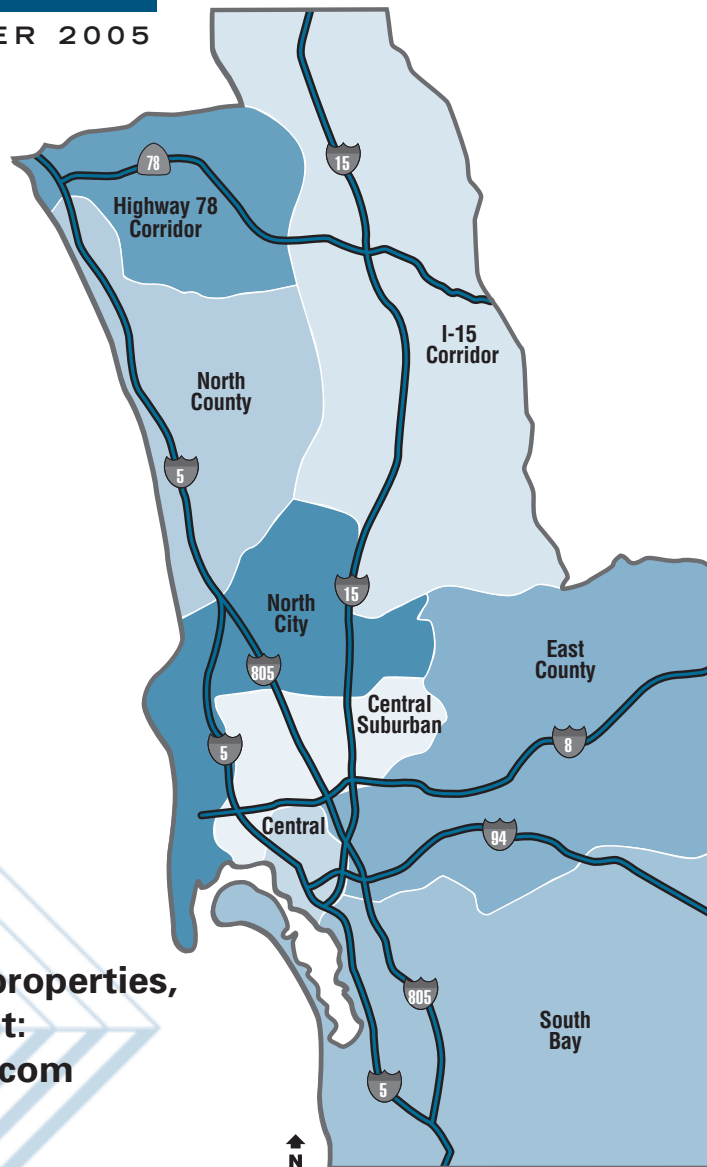
La Jolla
Miramar
Sorrento Mesa
Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH BAY

Chula Vista
National City
Otay Mesa
San Ysidro



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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.