

# R & D MARKET REPORT

FOURTH  
QUARTER  
2006

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



To view available properties,  
please visit:  
[www.voitco.com](http://www.voitco.com)



Prepared by:  
**Jerry J. Holdner, Jr.**  
Vice President  
of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)



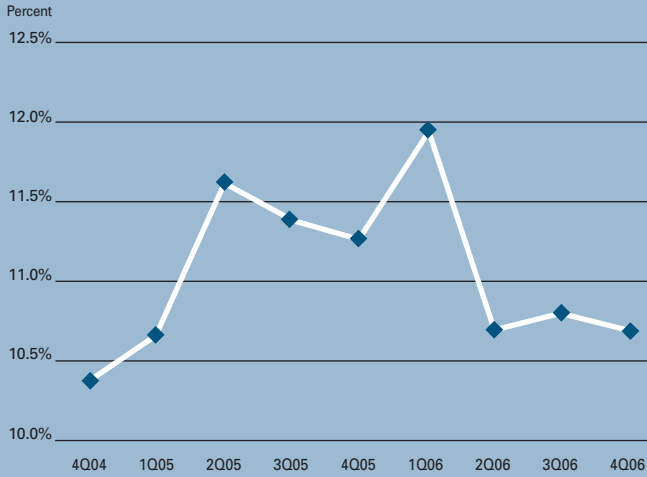
## MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2006 in San Diego County is 3.9%, which is 0.2% lower than it was when compared to the third quarter of 2006, and is 0.2% lower than it was at the end of last year.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2006, and they are forecasting 19,500 new jobs in 2007. They are also forecasting a 6.0% increase in total personal income for 2006.
- ◆ Currently there is 291,444 square feet of Research & Development construction underway, this figure is down 63% when compared to last year's fourth quarter number of 787,806 square feet. Although, 1,034,641 square feet of new R&D development was delivered during 2006.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,118,855 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,058,847 square feet.
- ◆ The Research & Development vacancy rate is 10.70%, which is lower than it was during the third quarter of 2006 when it was 10.82% and is lower than last years figure of 11.28%.
- ◆ The average asking Triple Net lease rate per month per foot in San Diego County is currently \$1.54, which is a 12.41% increase over last year's fourth quarter rate of \$1.37. Rental rates are expected to increase 5 to 7% in 2007 as the economy continues to improve.
- ◆ The Research & Development absorption checked in at 217,540 square feet of positive net absorption during the third quarter of 2006, giving the San Diego Research & Development Market a total of 957,166 square feet of positive absorption for 2006.

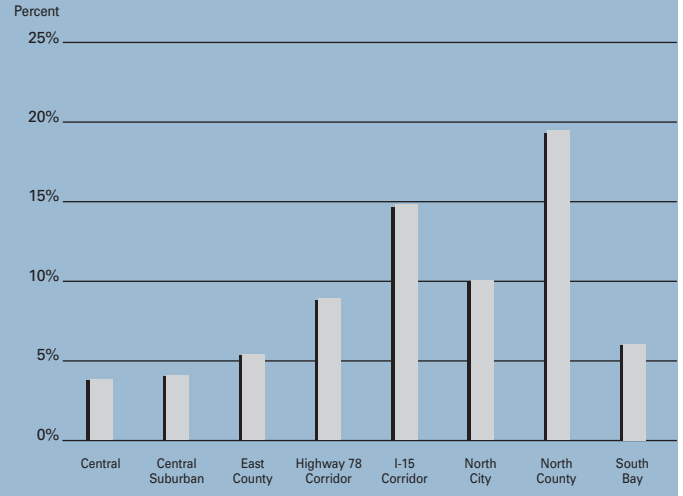
## R&D MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	1,034,641	1,106,215	146,195	-6.47%
Under Construction	291,444	787,806	1,112,788	-63.01%
Vacancy Rate	10.70%	11.28%	10.41%	-5.14%
Availability Rate	14.62%	13.85%	15.43%	5.56%
Average Asking Lease Rate	\$1.54	\$1.37	\$1.28	12.41%
Net Absorption	957,166	1,390,292	272,654	-31.15%
Gross Activity	4,242,151	5,270,501	4,062,056	-19.51%

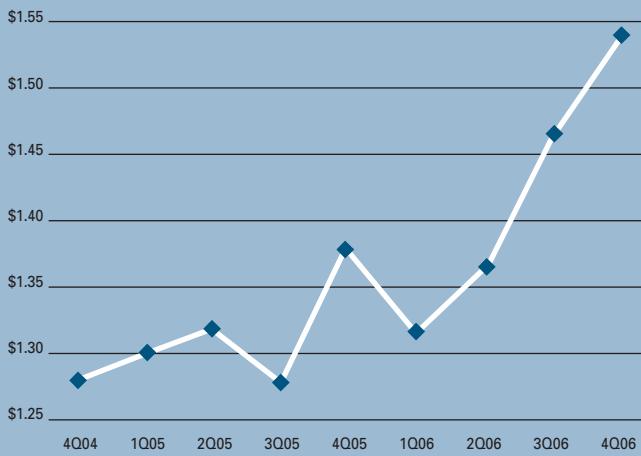
## VACANCY RATE



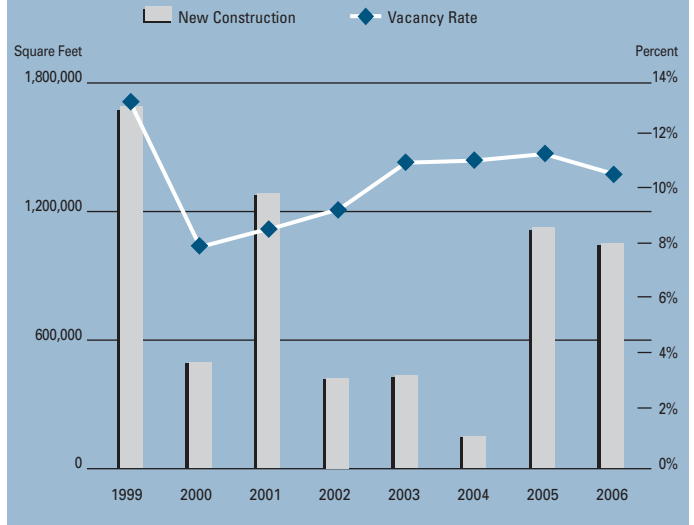
## VACANCY RATE BY SUBMARKET



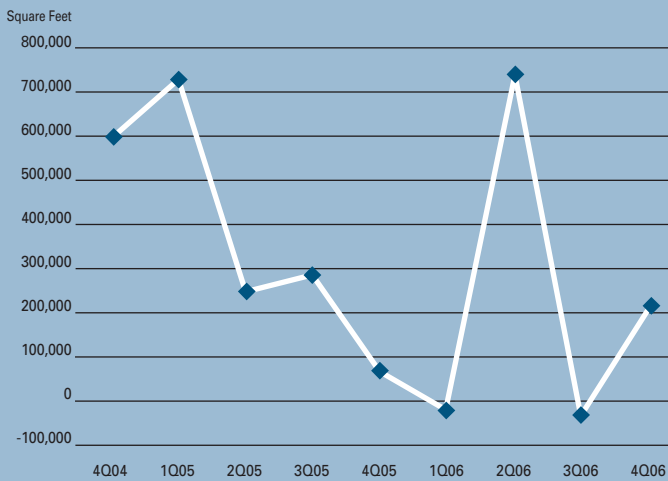
## AVERAGE ASKING TRIPLE NET LEASE RATE



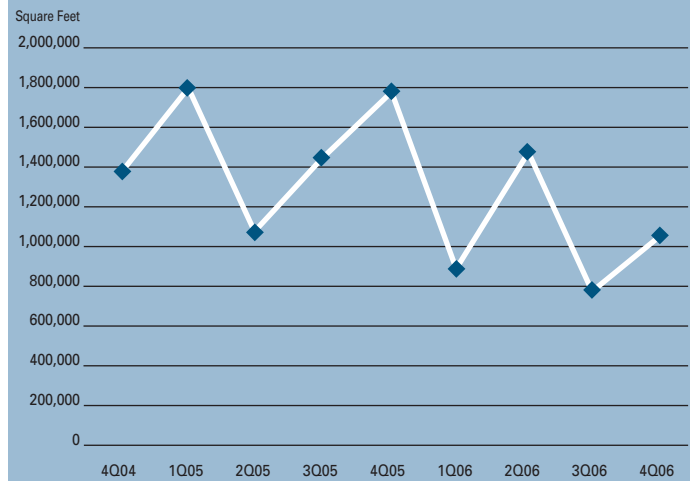
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## 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 4Q2006	Total Availability 4Q2006	Average Asking Lease Rate	Net Absorption 4Q2006	Net Absorption 2006
<b>Central</b>										
Downtown	14	440,120	0	0	17,415	3.96%	27,834	\$0.00	(4,298)	(2,387)
East City	1	30,000	0	0	0	0.00%	0	\$0.00	1,260	390
<b>Central Total</b>	<b>15</b>	<b>470,120</b>	<b>0</b>	<b>0</b>	<b>17,415</b>	<b>3.70%</b>	<b>27,834</b>	<b>\$0.00</b>	<b>(3,038)</b>	<b>(1,997)</b>
<b>Central Suburban</b>										
Airport/Sports Arena	11	224,638	0	0	13,400	5.97%	13,400	\$1.55	(10,900)	(13,400)
Kearny Mesa	148	4,287,972	0	57,691	167,477	3.91%	394,105	\$1.30	39,817	66,336
Mission Gorge	6	105,054	0	0	2,936	2.79%	2,936	\$0.00	6,151	0
Rose Canyon/Morena	28	511,527	0	0	14,954	2.92%	16,064	\$1.00	720	(806)
<b>Central Suburban Total</b>	<b>193</b>	<b>5,129,191</b>	<b>0</b>	<b>57,691</b>	<b>198,767</b>	<b>3.88%</b>	<b>426,505</b>	<b>\$1.31</b>	<b>35,788</b>	<b>52,130</b>
<b>East County</b>										
El Cajon	40	1,033,430	0	0	62,337	6.03%	31,820	\$0.00	16,784	(17,656)
La Mesa/Spring Valley	4	61,235	0	0	0	0.00%	0	\$0.00	0	5,000
Santee/Lakeside	14	191,423	0	0	8,150	4.26%	8,150	\$0.00	(4,300)	(8,150)
<b>East County Total</b>	<b>58</b>	<b>1,286,088</b>	<b>0</b>	<b>0</b>	<b>70,487</b>	<b>5.48%</b>	<b>39,970</b>	<b>\$0.00</b>	<b>12,484</b>	<b>(20,806)</b>
<b>Highway 78 Corridor</b>										
Oceanside	20	952,543	60,015	48,256	85,995	9.03%	84,095	\$0.00	(26,943)	15,613
San Marcos	17	444,627	22,892	142,500	63,092	14.19%	63,092	\$0.00	(3,405)	(26,643)
Vista/Fallbrook	43	1,362,438	0	52,736	85,299	6.26%	184,775	\$1.03	(20,633)	(21,881)
<b>Highway 78 Corridor Total</b>	<b>80</b>	<b>2,759,608</b>	<b>82,907</b>	<b>243,492</b>	<b>234,386</b>	<b>8.49%</b>	<b>331,962</b>	<b>\$1.03</b>	<b>(50,981)</b>	<b>(32,911)</b>
<b>I-15 Corridor</b>										
Escondido	20	380,661	0	0	0	0.00%	2,942	\$0.00	1,170	101,082
Poway	34	1,444,262	0	65,000	511,470	35.41%	583,070	\$1.32	(54,903)	(96,467)
Rancho Bernardo	74	4,954,683	0	0	605,187	12.21%	1,040,783	\$1.83	68,640	131,795
Scripps Ranch	18	820,859	0	0	23,685	2.89%	23,685	\$1.10	(13,337)	30,223
<b>I-15 Corridor Total</b>	<b>146</b>	<b>7,600,465</b>	<b>0</b>	<b>65,000</b>	<b>1,140,342</b>	<b>15.00%</b>	<b>1,650,480</b>	<b>\$1.65</b>	<b>1,570</b>	<b>166,633</b>
<b>North City</b>										
La Jolla	33	2,356,126	0	0	333,576	14.16%	484,904	\$2.72	(18,260)	(120,772)
Miramar	118	3,684,590	0	83,930	430,414	11.68%	498,562	\$1.22	7,348	91,746
Sorrento Mesa	127	5,737,284	0	0	532,884	9.29%	704,890	\$1.40	4,247	419,089
Sorrento Valley	66	1,597,526	0	0	109,557	6.86%	235,391	\$1.89	(6,122)	115,241
UTC Center	10	620,556	0	239,157	0	0.00%	13,948	\$2.85	133,731	133,731
<b>North City Total</b>	<b>354</b>	<b>13,996,082</b>	<b>0</b>	<b>323,087</b>	<b>1,406,431</b>	<b>10.05%</b>	<b>1,937,695</b>	<b>\$1.65</b>	<b>120,944</b>	<b>639,035</b>
<b>North County</b>										
Carlsbad	130	3,977,394	160,537	429,585	797,902	20.06%	943,208	\$1.26	128,836	(11,906)
North Beach Cities	6	109,450	0	0	1,760	1.61%	0	\$0.00	0	2,889
<b>North County Total</b>	<b>136</b>	<b>4,086,844</b>	<b>160,537</b>	<b>429,585</b>	<b>799,662</b>	<b>19.57%</b>	<b>943,208</b>	<b>\$1.26</b>	<b>128,836</b>	<b>(9,017)</b>
<b>South Bay</b>										
Chula Vista	43	1,189,483	48,000	0	55,828	4.69%	61,242	\$1.33	12,727	166,692
National City	20	343,168	0	0	30,887	9.00%	25,442	\$0.00	(14,002)	(2,593)
Otay Mesa	4	246,717	0	0	35,270	14.30%	8,482	\$0.00	(26,788)	0
San Ysidro	5	181,563	0	0	0	0.00%	0	\$0.00	0	0
<b>South Bay Total</b>	<b>72</b>	<b>1,960,931</b>	<b>48,000</b>	<b>0</b>	<b>121,985</b>	<b>6.22%</b>	<b>95,166</b>	<b>\$1.33</b>	<b>(28,063)</b>	<b>164,099</b>
<b>San Diego County Total</b>	<b>1,054</b>	<b>37,289,329</b>	<b>291,444</b>	<b>1,118,855</b>	<b>3,989,475</b>	<b>10.70%</b>	<b>5,452,820</b>	<b>\$1.54</b>	<b>217,540</b>	<b>957,166</b>

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 2006

**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**

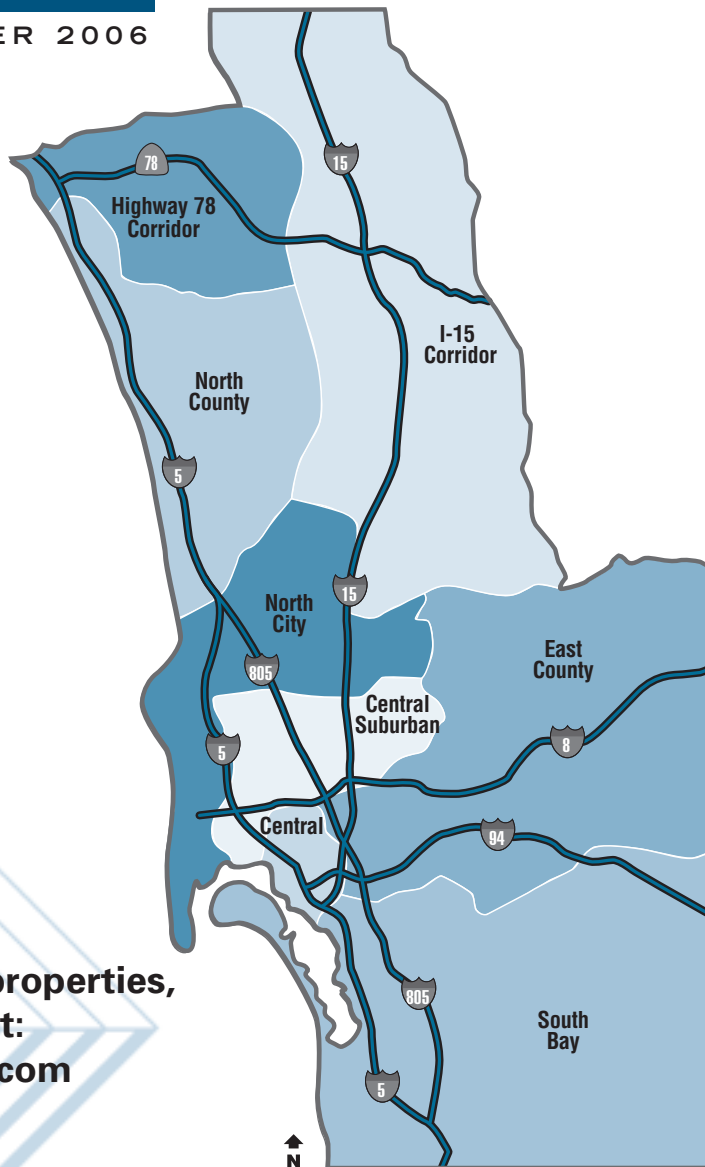
La Jolla  
Miramar  
Sorrento Mesa  
Sorrento Valley  
UTC Center

**NORTH COUNTY**

Carlsbad  
North Beach Cities

**SOUTH BAY**

Chula Vista  
National City  
Otay Mesa  
San Ysidro



To view available properties,  
please visit:  
[www.voidco.com](http://www.voidco.com)

For Further Information:

**SAN DIEGO OFFICE**

4370 La Jolla Village Drive, Suite 990  
San Diego, California 92122  
**TEL: 858.453.0505**  
**FAX: 858.453.1981**

**CHULA VISTA OFFICE**

660 Bay Boulevard, Suite 210  
Chula Vista, California 91910  
**TEL: 619.498.4560**  
**FAX: 619.495.4567**



**Real People. Real Solutions.**

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.