



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



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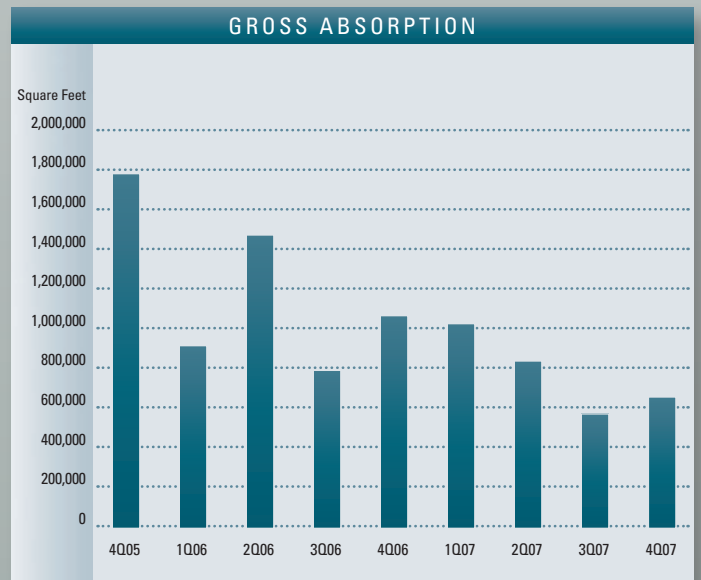
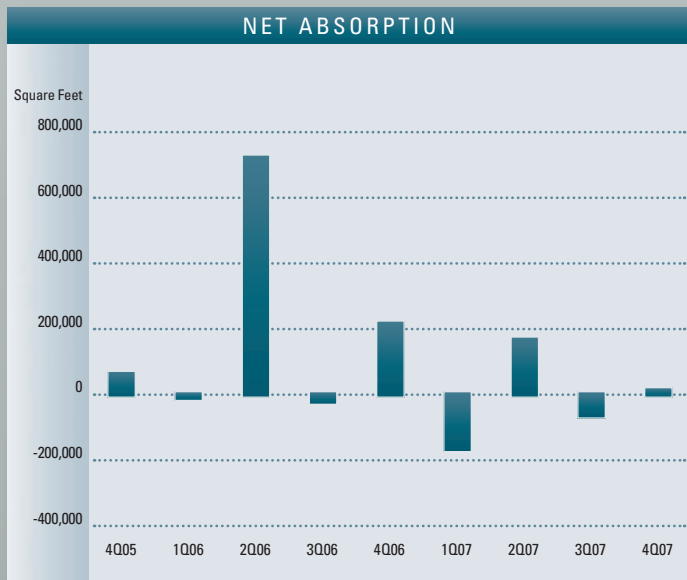
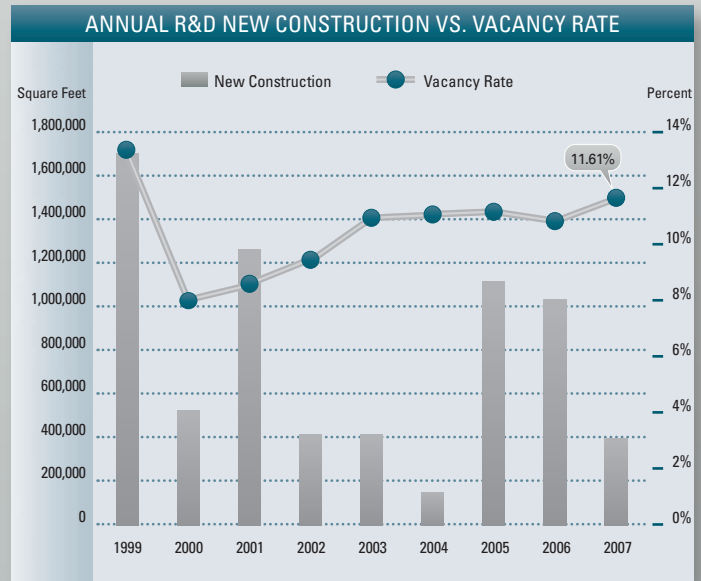
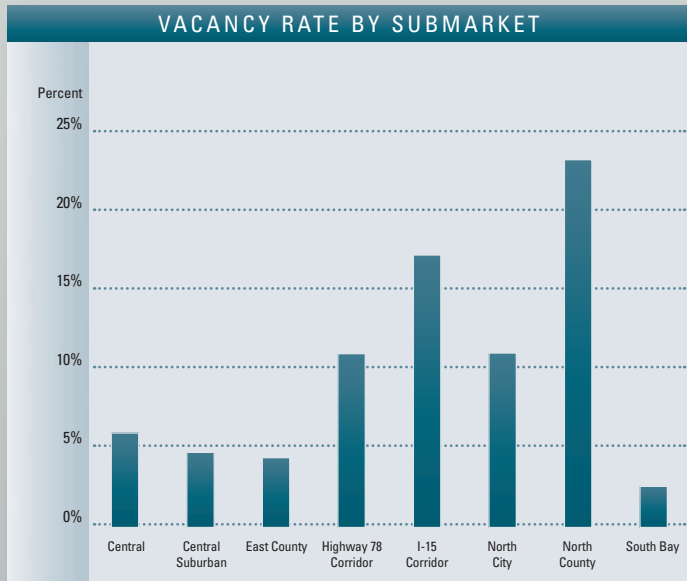
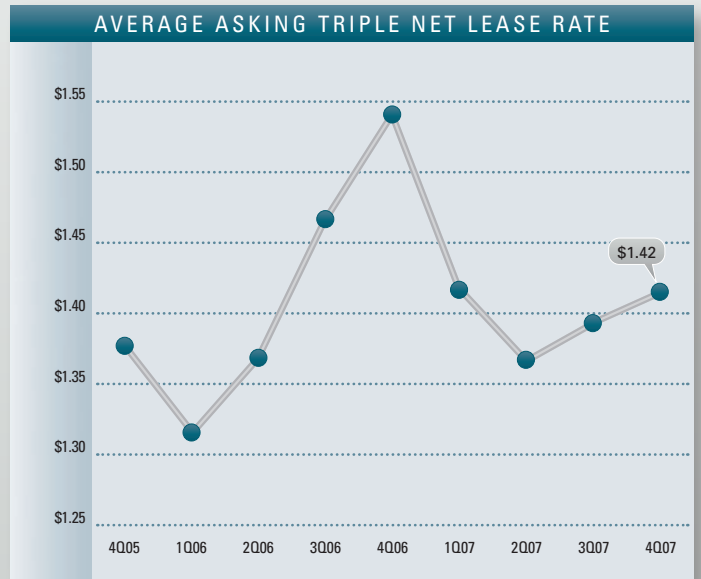
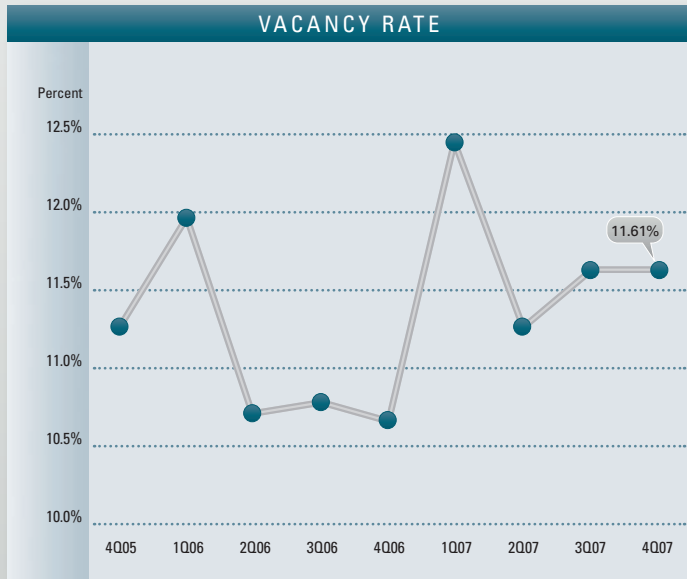
Market Highlights

- ◆ The Research & Development vacancy rate is 11.61%, which is about the same as it was during the third quarter of 2007 when it was 11.62%, and is higher than last year's figure of 10.70%. One of the lowest vacancy rates in the county can be found in the South Bay submarket, coming in at 2.59%. 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 \$1.42, which is lower than last year's fourth quarter rate of \$1.54. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.50 per square foot. Rental rates are expected to increase 3% to 5% in 2008.
- ◆ The Research & Development absorption checked in at 12,710 square feet of positive net absorption during the fourth quarter of 2007, giving the Research & Development market a total of 133,489 square feet of negative absorption for 2007. Positive absorption has occurred in North County, The South Bay, Highway 78 Corridor and East County submarkets: 107,943, 66,769, 53,867 and 9,456 square feet respectively.
- ◆ Unemployment in the fourth quarter of 2007 in San Diego County is 4.8%, which is the same as it was when compared to the third quarter of 2007, and 0.8% 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 7,900 new non-farm jobs in 2007, and they are forecasting 16,900 new non-farm jobs in 2008 with another 22,600 new jobs in 2009. They are also forecasting a 4.1% gain in total personal income with inflation increasing by 2.9% for 2007.
- ◆ Currently there is 557,937 square feet of Research & Development construction underway. This figure is up 91.44% when compared to last year's fourth quarter number of 291,444 square feet. Although, 414,464 square feet of new development was delivered during 2007.
- ◆ Planned Research & Development construction in San Diego County is up when compared to last year. Currently, there is 1,477,369 square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1,058,587 square feet.

R & D MARKET OVERVIEW

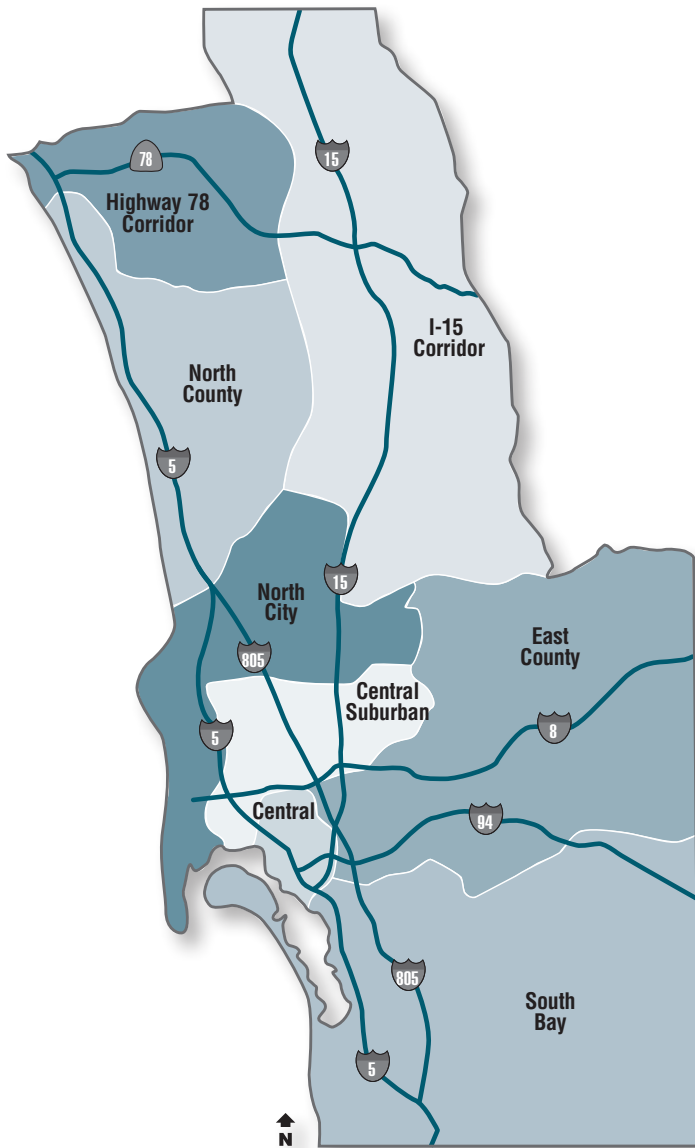
	2007	2006	2005	% CHANGE VS. 2006
Inventory Added	414,464	1,034,641	1,106,215	-59.94%
Under Construction	557,937	291,444	787,806	91.44%
Vacancy Rate	11.61%	10.70%	11.28%	8.50%
Availability Rate	15.18%	14.62%	13.85%	3.83%
Average Asking Lease Rate	\$1.42	\$1.54	\$1.37	-7.79%
Net Absorption	(133,489)	957,166	1,390,292	-113.95%
Gross Activity	3,147,692	4,242,151	5,270,501	-25.80%

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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 4Q2007	Total Availability 4Q2007	Average Asking Lease Rate	Net Absorption 4Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
Central												
Downtown	14	393,054	0	0	25,098	6.39%	47,098	\$0.00	(5,880)	(7,183)	(2,387)	43,358
East City	1	30,000	0	0	0	0.00%	0	\$0.00	0	0	390	(390)
Central Total	15	423,054	0	0	25,098	5.93%	47,098	\$0.00	(5,880)	(7,183)	(1,997)	42,968
Central Suburban												
Airport/Sports Arena	12	237,201	0	0	11,765	4.96%	11,765	\$0.00	0	2,135	(13,400)	0
Kearny Mesa	163	4,414,058	0	57,691	189,092	4.28%	481,837	\$1.34	16,673	(15,815)	66,336	224,560
Mission Gorge	10	149,469	0	0	9,760	6.53%	9,760	\$0.00	1,750	2,581	0	(2,936)
Rose Canyon/Morena	35	640,304	0	0	33,910	5.30%	32,187	\$1.00	(13,377)	(13,756)	(806)	(13,394)
Central Suburban Total	220	5,441,032	0	57,691	244,527	4.49%	535,549	\$1.33	5,046	(24,855)	52,130	208,230
East County												
El Cajon	52	1,189,684	0	0	61,462	5.17%	78,935	\$0.90	2,007	7,975	(17,656)	(15,952)
La Mesa/Spring Valley	9	157,407	0	0	3,588	2.28%	3,588	\$0.00	1,622	(871)	5,000	(5,000)
Santee/Lakeside	25	337,098	0	590,000	4,098	1.22%	4,098	\$0.00	(4,098)	2,352	(8,150)	2,000
East County Total	86	1,684,189	0	590,000	69,148	4.11%	86,621	\$0.90	(469)	9,456	(20,806)	(18,952)
Highway 78 Corridor												
Oceanside	28	1,076,091	0	0	159,670	14.84%	164,573	\$1.50	8,390	28,638	15,613	505,299
San Marcos	23	484,128	0	0	56,442	11.66%	56,442	\$1.29	(6,311)	7,490	(26,643)	(5,155)
Vista/Fallbrook	43	1,384,327	116,842	0	102,905	7.43%	255,877	\$1.01	5,637	17,739	(21,881)	42,365
Highway 78 Corridor Total	94	2,944,546	116,842	0	319,017	10.83%	476,892	\$1.09	7,716	53,867	(32,911)	542,509
I-15 Corridor												
Escondido	27	495,642	20,000	0	15,420	3.11%	6,735	\$0.00	3,120	(9,174)	101,082	(7,223)
Poway	52	1,166,469	15,048	65,000	363,706	31.18%	275,008	\$1.15	5,144	(101,976)	(96,467)	(28,008)
Rancho Bernardo	76	4,631,218	0	0	779,449	16.83%	867,864	\$1.64	(32,021)	(63,347)	131,795	85,984
Scripps Ranch	21	685,271	0	0	34,874	5.09%	92,234	\$1.24	9,728	(8,549)	30,223	40,825
I-15 Corridor Total	176	6,978,600	35,048	65,000	1,193,449	17.10%	1,241,841	\$1.46	(14,029)	(183,046)	166,633	91,578
North City												
La Jolla	35	2,555,568	0	0	481,864	18.86%	628,759	\$2.36	(39,647)	(41,488)	(120,772)	3,104
Miramar	120	3,694,273	0	83,930	318,874	8.63%	449,868	\$1.07	(65,932)	72,537	91,746	160,391
Sorrento Mesa	139	6,121,353	0	0	610,473	9.97%	802,820	\$1.45	42,969	(53,655)	419,089	233,779
Sorrento Valley	69	1,735,859	0	0	217,064	12.50%	262,049	\$1.97	18,453	(118,676)	115,241	188,459
UTC Center	12	779,287	342,180	356,871	16,752	2.15%	16,752	\$2.95	0	(15,158)	133,731	12,990
North City Total	375	14,886,340	342,180	440,801	1,645,027	11.05%	2,160,248	\$1.50	(44,157)	(156,440)	639,035	598,723
North County												
Carlsbad	132	3,865,886	53,378	323,877	914,950	23.67%	1,095,504	\$1.36	65,491	110,256	(11,906)	(134,464)
North Beach Cities	7	120,793	0	0	4,573	3.79%	4,573	\$0.00	0	(2,313)	2,889	0
North County Total	139	3,986,679	53,378	323,877	919,523	23.06%	1,100,077	\$1.36	65,491	107,943	(9,017)	(134,464)
South Bay												
Chula Vista	52	1,455,895	10,489	0	43,082	2.96%	102,880	\$1.34	3,108	13,646	166,692	84,568
National City	19	315,468	0	0	11,902	3.77%	11,902	\$0.00	(2,984)	18,985	(2,593)	(20,835)
Otay Mesa	4	246,717	0	0	1,132	0.46%	1,132	\$0.00	(1,132)	34,138	0	(22,725)
San Ysidro	4	147,098	0	0	0	0.00%	80,574	\$0.00	0	0	0	18,692
South Bay Total	79	2,165,178	10,489	0	56,116	2.59%	196,488	\$1.34	(1,008)	66,769	164,099	59,700
San Diego County Total	1,184	38,509,618	557,937	1,477,369	4,471,905	11.61%	5,844,814	\$1.42	12,710	(133,489)	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.

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