



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN



Lease Rates

DOWN



Construction

DOWN



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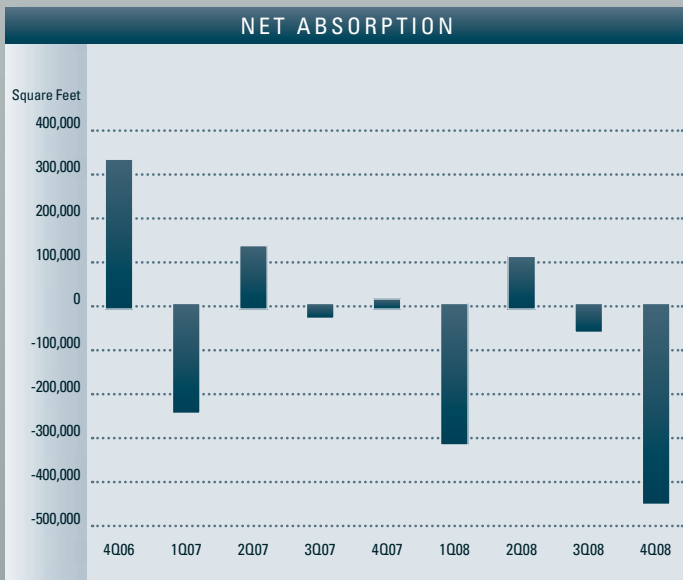
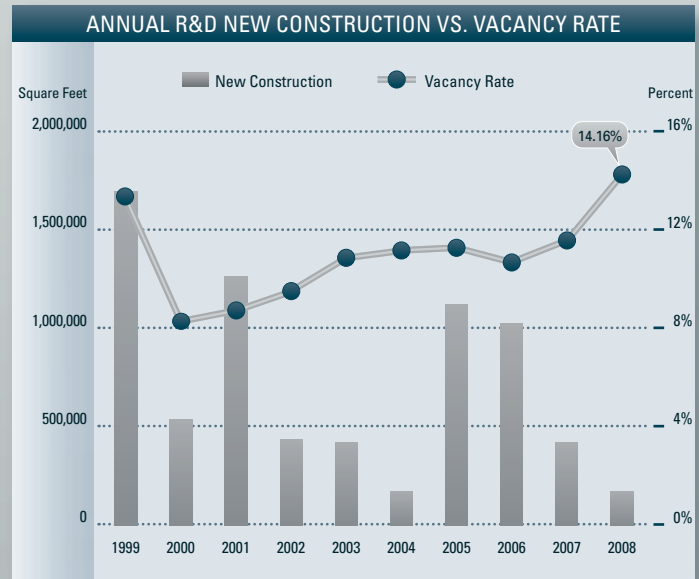
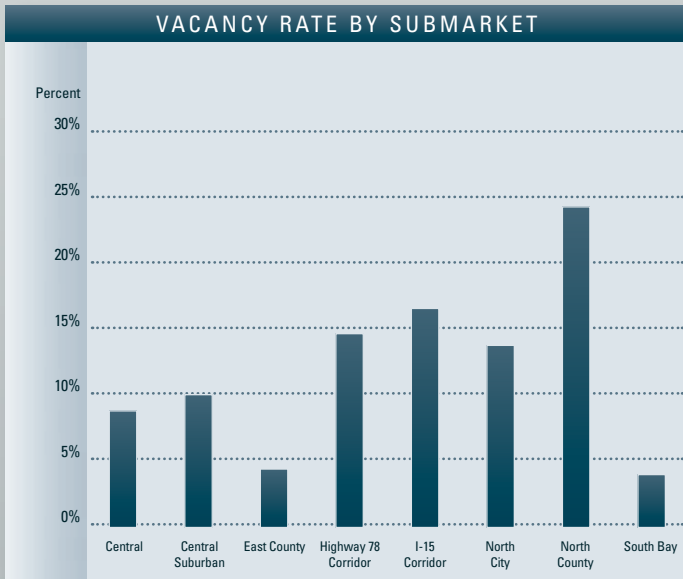
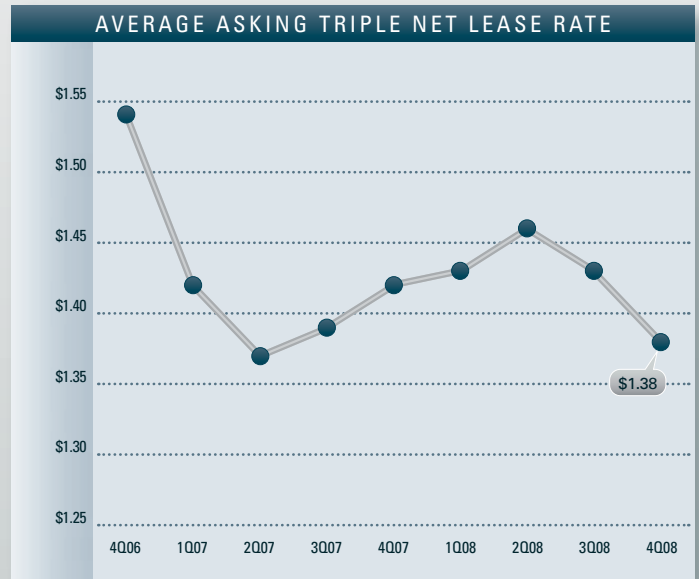
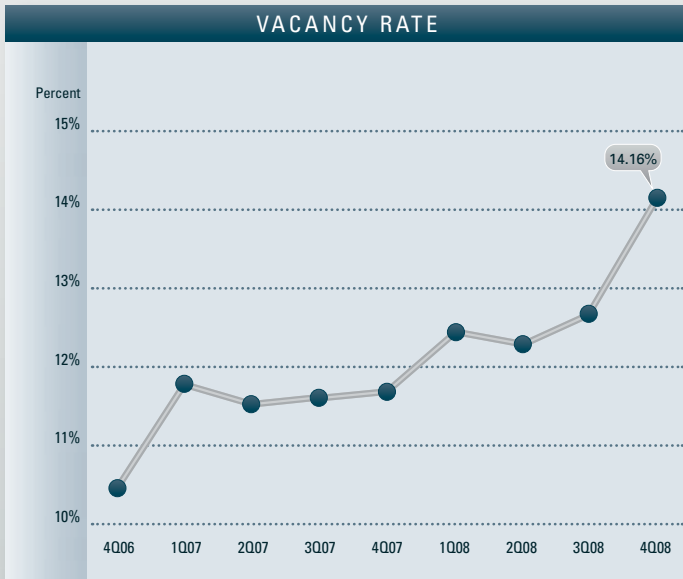
Market Highlights

- ◆ The San Diego County Research & Development market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the Research & Development market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Research & Development vacancy rate is 14.16% this quarter, which is higher than last quarter when it was 12.72%, and is higher than last year's figure of 11.70%. One of the lowest vacancy rates in the county can be found in the East County submarket, coming in at 3.81%.
- ◆ The average asking Triple Net lease rate per month in San Diego County is currently \$1.38, which is lower than last year's fourth quarter rate of \$1.42. The highest rates in the county can be found in the North City submarket, where the average asking Triple Net lease rate is \$1.51 per square foot. Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.
- ◆ Research & Development absorption checked in at a negative 446,530 square feet during the fourth quarter of 2008, giving a total of 716,212 square feet of negative absorption for 2008. Most of the negative absorption occurred in the North City and Central Suburban submarkets: 276,949 and 318,316 square feet respectively.
- ◆ According to the State of California Employment Development Department, San Diego County lost 15,300 payroll jobs over the last twelve months. Between October 2008 and November 2008 San Diego County lost 2,200 jobs, mostly in the leisure & hospitality and construction sectors.
- ◆ The unemployment rate in San Diego County was 6.9% in November 2008, unchanged from a revised 6.9% percent in October 2008, but above the year ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 8.3 percent for California and 6.5 percent for the nation during the same period.
- ◆ Currently there is 128,539 square feet of Research & Development construction underway, and total construction is down just under 77% when compared to a year ago.
- ◆ Planned Research & Development construction in San Diego County is down when compared to last year. Currently, there is 1.05 million square feet of Research & Development space on the slate as being planned, compared to last year's figure of 1.48 million square feet.

R & D MARKET OVERVIEW

	2008	2007	2006	% CHANGE VS. 2007
Inventory Added	266,280	402,697	1,050,305	-33.88%
Under Construction	128,539	557,937	291,444	-76.96%
Vacancy Rate	14.16%	11.70%	10.49%	21.03%
Availability Rate	17.23%	15.18%	14.62%	13.50%
Average Asking Lease Rate	\$1.38	\$1.42	\$1.54	-2.82%
Net Absorption	(716,212)	(107,531)	974,645	N/A
Gross Activity	3,115,357	3,327,453	4,284,933	-6.37%

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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 4Q2008	Total Availability 4Q2008	Average Asking Lease Rate	Net Absorption 4Q2008	Net Absorption 4Q2008	Gross Absorption 4Q2008	Gross Absorption 2008
Central												
Downtown	11	262,458	0	0	23,388	8.91%	45,388	\$0.00	(4,170)	(4,170)	0	0
East City	1	30,000	0	0	1,830	6.10%	1,830	\$0.00	0	(1,830)	0	0
Central Total	12	292,458	0	0	25,218	8.62%	47,218	\$0.00	(4,170)	(6,000)	0	0
Central Suburban												
Airport/Sports Arena	14	274,201	0	0	20,726	7.56%	20,726	\$1.25	0	(3,655)	0	1,320
Kearny Mesa	162	4,641,542	0	57,691	526,580	11.34%	474,599	\$1.41	(138,424)	(337,488)	64,835	366,871
Mission Gorge	9	138,061	0	0	1,440	1.04%	1,440	\$0.00	(288)	1,840	1,152	5,312
Rose Canyon/Morena	34	625,720	0	0	12,923	2.07%	10,183	\$1.00	(7,752)	20,987	7,763	47,726
Central Suburban Total	219	5,679,524	0	57,691	561,669	9.89%	506,948	\$1.40	(146,464)	(318,316)	73,750	421,229
East County												
El Cajon	42	829,801	0	0	49,512	5.97%	54,966	\$0.91	(4,067)	(18,202)	6,413	39,124
La Mesa/Spring Valley	10	171,730	0	0	4,199	2.45%	5,324	\$0.00	3,709	(611)	5,331	10,058
Santee/Lakeside	25	347,582	0	590,000	2,054	0.59%	2,054	\$0.00	(954)	384	1,100	2,438
East County Total	77	1,349,113	0	590,000	55,765	4.13%	62,344	\$0.91	(1,312)	(18,429)	12,844	51,620
Highway 78 Corridor												
Oceanside	24	980,603	0	0	140,954	14.37%	174,957	\$0.00	2,900	15,307	8,866	44,925
San Marcos	27	516,828	46,526	0	41,949	8.12%	48,244	\$0.00	10,601	11,819	21,007	61,889
Vista/Fallbrook	44	1,460,651	0	41,842	252,316	17.27%	273,022	\$0.85	(39,499)	(65,467)	2,663	93,812
Highway 78 Corridor Total	95	2,958,082	46,526	41,842	435,219	14.71%	496,223	\$0.85	(25,998)	(38,341)	32,536	200,626
I-15 Corridor												
Escondido	25	466,137	0	0	22,290	4.78%	31,090	\$0.00	(19,500)	(9,713)	0	26,239
Poway	54	1,333,151	0	65,000	252,502	18.94%	415,762	\$1.46	(21,336)	119,980	7,724	208,337
Rancho Bernardo	76	4,487,834	0	0	822,942	18.34%	942,263	\$1.31	(15,995)	(98,953)	35,340	244,792
Scripps Ranch	23	742,207	0	0	43,716	5.89%	58,269	\$1.03	20,609	(8,842)	22,897	34,425
I-15 Corridor Total	178	7,029,329	0	65,000	1,141,450	16.24%	1,447,384	\$1.37	(36,222)	2,472	65,961	513,793
North City												
La Jolla	35	2,547,529	0	0	533,331	20.94%	526,067	\$3.16	22,971	34,533	47,529	347,737
Miramar	121	3,495,676	0	0	502,352	14.37%	746,864	\$1.27	(68,355)	(149,137)	49,019	270,988
Sorrento Mesa	146	6,655,219	0	0	853,754	12.83%	1,136,800	\$1.41	(99,996)	(237,319)	66,372	492,758
Sorrento Valley	71	1,779,762	0	0	201,511	11.32%	242,521	\$1.76	(26,759)	(11,447)	7,212	197,782
UTC Center	13	852,160	58,904	102,967	14,297	1.68%	81,347	\$2.95	0	86,421	0	86,421
North City Total	386	15,330,346	58,904	102,967	2,105,245	13.73%	2,733,599	\$1.51	(172,139)	(276,949)	170,132	1,395,686
North County												
Carlsbad	143	4,241,453	23,109	190,000	1,054,595	24.86%	1,143,538	\$1.20	(52,279)	(9,195)	90,312	466,142
North Beach Cities	9	145,932	0	0	5,773	3.96%	5,773	\$0.00	1,200	(1,200)	1,200	6,973
North County Total	152	4,387,385	23,109	190,000	1,060,368	24.17%	1,149,311	\$1.20	(51,079)	(10,395)	91,512	473,115
South Bay												
Chula Vista	55	1,451,971	0	0	102,258	7.04%	239,442	\$1.28	(5,758)	(28,532)	16,037	50,720
National City	20	330,428	0	0	15,308	4.63%	15,308	\$0.00	(3,388)	(2,906)	0	7,695
Otay Mesa	2	102,452	0	0	1,132	1.10%	1,132	\$0.00	0	0	0	873
San Ysidro	3	85,512	0	0	18,816	22.00%	18,816	\$0.65	0	(18,816)	0	0
South Bay Total	80	1,970,363	0	0	137,514	6.98%	274,698	\$0.77	(9,146)	(50,254)	16,037	59,288
San Diego County Total	1,199	38,996,600	128,539	1,047,500	5,522,448	14.16%	6,717,725	\$1.38	(446,530)	(716,212)	462,772	3,115,357

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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