

OFFICE MARKET REPORT

FIRST
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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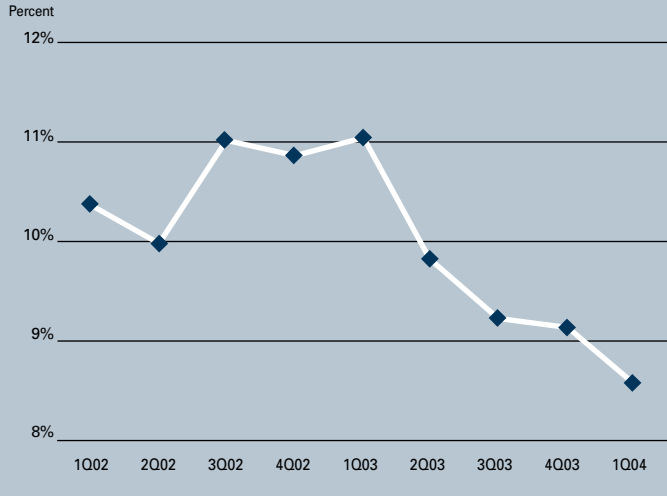
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2004 in San Diego County is 4.1%, which is an increase of 0.1% since the fourth quarter of 2003 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 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 2,375,012 square feet of Office construction underway, and total construction is higher than the 724,161 square feet that was under construction at this same time last year. This is an increase of 228%.
- ◆ Planned Office construction in San Diego County is down by almost 50% compared to last year. Currently there is 5,553,749 square feet of Office space on the slate as being planned, compared to last year's figure of 10,164,067 square feet.
- ◆ The Office vacancy rate is at 8.62%, which is down from the 9.16% rate we saw during the fourth quarter of 2003. This lack of supply should put pressure on the average asking lease rate this year.
- ◆ The average asking full service lease rate checked in at \$2.05 a square foot per month this quarter. This is a little higher than last quarter and 11.64% lower than what was reported in the first quarter of 2003.
- ◆ Rental rates are expected to remain flat and we should see rent concessions lessening during 2004 as the economy improves.
- ◆ The Office absorption checked in at a positive 551,636 square feet for the first quarter of 2004. This gives the San Diego Office market a great start for 2004.

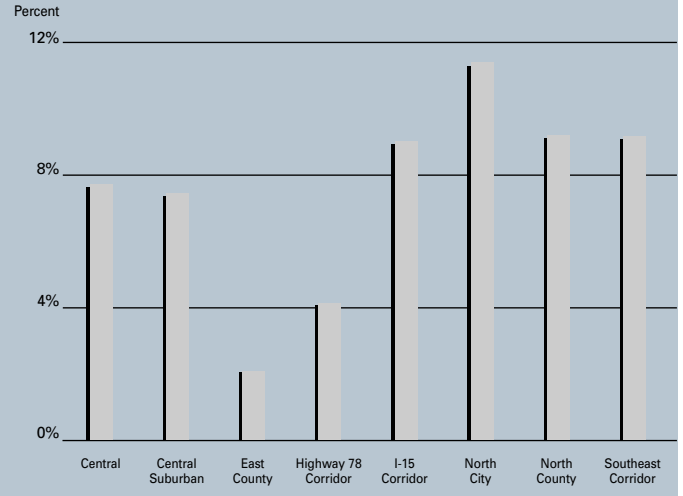
OFFICE MARKET STATISTICS

	1Q2004	4Q2003	1Q2003	% CHANGE VS. 1Q03
Under Construction	2,375,012	1,385,963	724,161	227.97%
Planned Construction	5,553,749	5,556,459	10,164,067	-45.36%
Vacancy	8.62%	9.16%	11.05%	-21.99%
Availability	11.98%	13.25%	12.46%	-3.85%
Pricing - Full Service Gross	\$2.05	\$1.99	\$2.32	-11.64%
Net Absorption	551,636	-81,503	497,697	10.84%

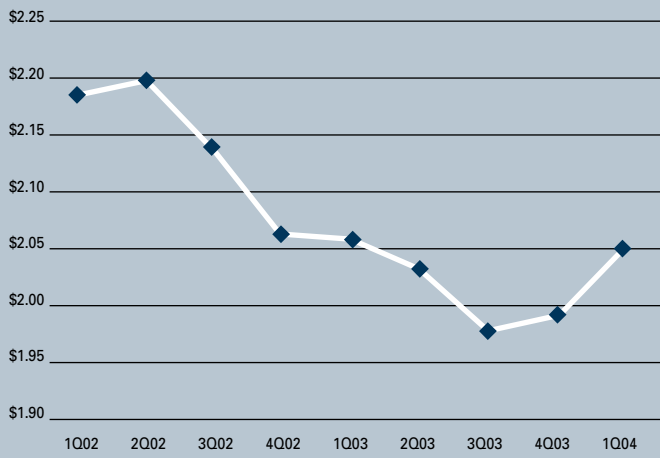
VACANCY RATE



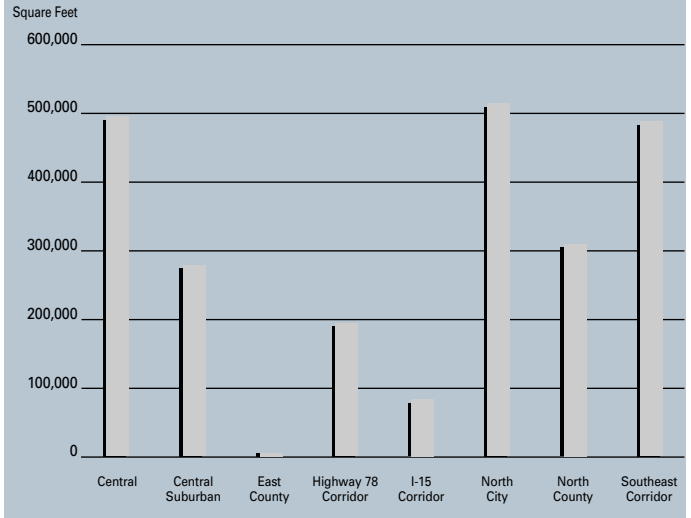
VACANCY RATE BY SUBMARKET



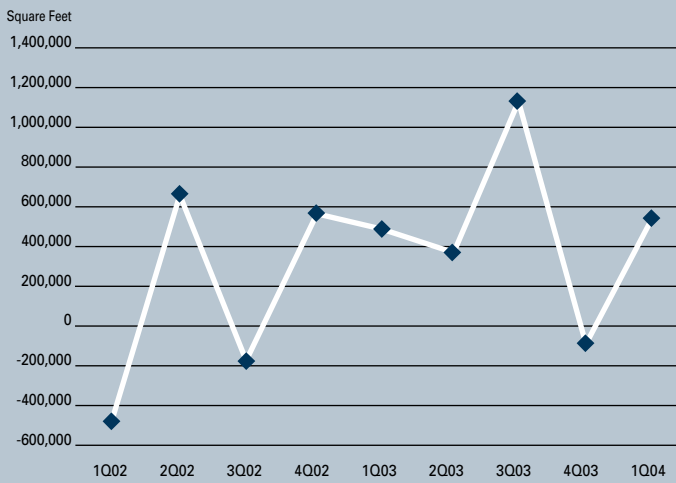
AVERAGE ASKING FULL SERVICE LEASE RATE



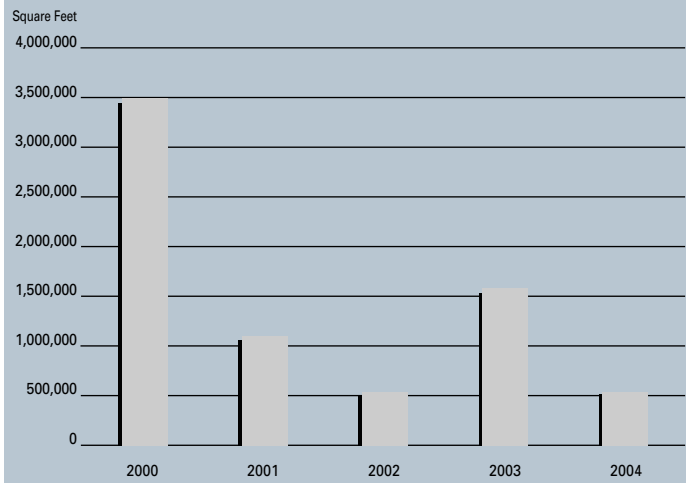
CONSTRUCTION ACTIVITY



QUARTERLY NET ABSORPTION



ANNUAL NET ABSORPTION



SAN DIEGO COUNTY

INVENTORY					VACANCY & ABSORPTION					
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2004	Total Availability 1Q2004	Average Asking Lease Rate	Net Absorption 1Q2004	Net Absorption 2004
Central										
Downtown	117	11,189,527	380,000	1,866,470	933,584	8.34%	1,300,084	\$1.77	5,719	5,719
Uptown	86	2,040,733	114,798	0	76,379	3.74%	133,385	\$1.75	(23,216)	(23,216)
Central Total	203	13,230,260	494,798	1,866,470	1,009,963	7.63%	1,433,469	\$1.77	(17,497)	(17,497)
Central Suburban										
College/Sports Area	47	1,492,714	82,236	0	67,308	4.51%	76,773	\$1.70	14,217	14,217
Kearny Mesa	211	7,953,866	95,000	437,495	691,973	8.70%	943,884	\$1.76	28,173	28,173
Mission Gorge	15	336,394	0	0	2,523	0.75%	17,323	\$1.50	0	0
Mission Valley	122	6,707,037	54,222	156,100	406,793	6.07%	864,673	\$2.22	(10,485)	(10,485)
Old Town	23	535,164	0	0	26,685	4.99%	45,360	\$1.25	15,195	15,195
Pacific Beach	7	200,933	0	0	11,310	5.63%	11,310	\$0.00	(252)	(252)
Point Loma	8	182,150	38,727	38,727	62,266	34.18%	62,266	\$0.00	221	221
Rose Canyon/Morena	31	727,695	0	0	41,677	5.73%	48,877	\$0.00	5,028	5,028
Central Suburban Total	464	18,135,953	270,185	632,322	1,310,535	7.23%	2,070,466	\$1.95	52,097	52,097
East County										
El Cajon	50	954,466	12,560	0	29,368	3.08%	44,930	\$0.00	3,694	3,694
La Mesa	55	1,507,330	0	0	19,033	1.26%	32,810	\$0.00	(7,258)	(7,258)
Lemon Grove	6	124,192	0	0	0	0.00%	0	\$0.00	0	0
Santee	13	325,990	0	0	11,956	3.67%	11,956	\$0.00	4,446	4,446
Spring Valley	6	99,976	0	0	0	0.00%	3,206	\$0.00	0	0
East County Total	130	3,011,954	12,560	0	60,357	2.00%	92,902	\$0.00	882	882
Highway 78 Corridor										
Oceanside	33	799,836	22,766	0	31,550	3.94%	47,800	\$1.65	(2,914)	(2,914)
San Marcos	42	1,052,525	146,989	55,000	57,334	5.45%	90,342	\$0.00	(5,675)	(5,675)
Vista	53	1,178,627	26,352	156,200	36,105	3.06%	57,995	\$1.50	(4,121)	(4,121)
Highway 78 Corridor Total	128	3,030,988	196,107	211,200	124,989	4.12%	196,137	\$1.64	(12,710)	(12,710)
I-15 Corridor										
Escondido	75	2,039,971	87,304	7,000	185,884	9.11%	194,688	\$2.15	154,133	154,133
Poway	18	892,412	0	30,684	15,847	1.78%	15,847	\$0.00	47,215	47,215
Rancho Bernardo	62	2,779,685	0	22,818	239,139	8.60%	494,074	\$2.75	(35,956)	(35,956)
Sabre Springs	7	719,181	0	0	27,781	3.86%	27,781	\$0.00	0	0
Scripps Ranch	45	1,788,709	0	433,500	275,043	15.38%	316,749	\$2.18	(41,265)	(41,265)
I-15 Corridor Total	207	8,219,958	87,304	494,002	743,694	9.05%	1,049,139	\$2.41	124,127	124,127
North City										
Del Mar Heights	57	3,565,907	125,000	1,561,187	401,560	11.26%	656,552	\$0.00	72,870	72,870
Governor Park	21	1,019,209	0	0	74,915	7.35%	135,501	\$1.95	(16,328)	(16,328)
La Jolla	41	1,346,910	0	0	124,062	9.21%	170,380	\$2.90	60,505	60,505
Miramar	54	1,848,522	0	0	256,052	13.85%	305,160	\$0.75	(12,812)	(12,812)
Sorrento Mesa	82	5,008,057	0	0	814,914	16.27%	1,306,911	\$2.22	123,987	123,987
Torrey Pines/Sorrento Valley	64	3,731,173	42,204	55,488	272,677	7.31%	536,634	\$2.92	28,803	28,803
UTC Center	72	6,578,605	347,703	150,000	655,925	9.97%	992,269	\$2.46	22,044	22,044
North City Total	391	23,098,383	514,907	1,766,675	2,600,105	11.26%	4,103,407	\$2.49	279,069	279,069
North County										
Carlsbad	103	3,909,032	77,580	337,040	425,445	10.88%	557,350	\$1.83	119,768	119,768
North Beach Cities	65	1,581,570	233,369	56,000	98,113	6.20%	116,769	\$2.50	6,836	6,836
North County Total	168	5,490,602	310,949	393,040	523,558	9.54%	674,119	\$1.94	126,604	126,604
South/Southeast Corridor										
Chula Vista	54	2,387,169	488,202	190,040	43,045	1.80%	52,982	\$2.35	(2,345)	(2,345)
National City	11	327,042	0	0	161,027	49.24%	161,027	\$0.00	0	0
Otay Mesa	7	155,427	0	0	69,284	44.58%	69,284	\$0.00	1,409	1,409
South/Southeast Total	72	2,869,638	488,202	190,040	273,356	9.53%	283,293	\$2.35	(936)	(936)
Class A	314	29,255,909	1,995,533	4,858,941	3,100,342	10.60%	4,670,507	\$2.16	615,264	615,264
Class B	687	30,140,814	332,655	668,608	2,663,227	8.84%	3,835,956	\$1.95	(9,000)	(9,000)
Class C	762	17,691,013	12,560	26,200	882,988	4.99%	1,396,469	\$1.63	(54,628)	(54,628)
San Diego County Total	1,763	77,087,736	2,375,012	5,553,749	6,646,557	8.62%	9,902,932	\$2.05	551,636	551,636

This survey consists of office buildings greater than 10,000 square feet. Lease rates are on a full service gross basis.

OFFICE MARKET REPORT

FIRST QUARTER 2004

SUBMARKETS

CENTRAL

Downtown
Uptown

CENTRAL SUBURBAN

College/Sports Area
Kearny Mesa
Mission Gorge
Mission Valley
Old Town
Pacific Beach
Point Loma
Rose Canyon/Morena

EAST COUNTY

El Cajon
La Mesa
Lemon Grove
Santee
Spring Valley

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos
Vista

I-15 CORRIDOR

Escondido
Poway
Rancho Bernardo
Sabre Springs
Scripps Ranch

NORTH CITY

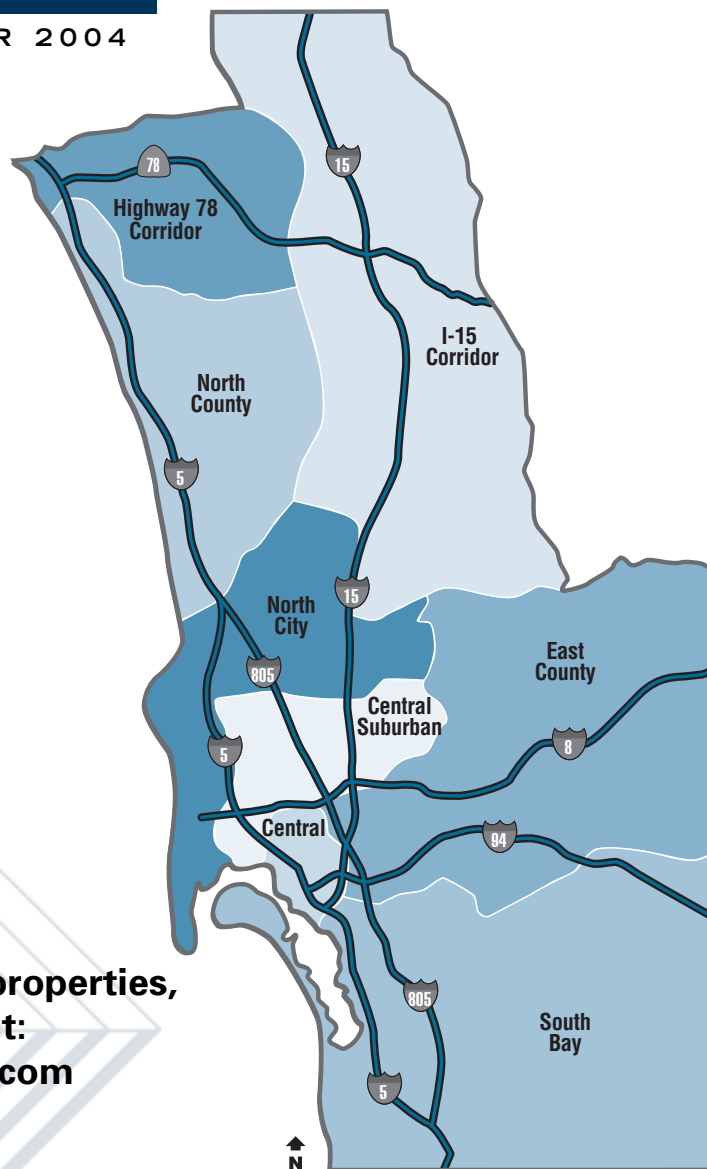
Del Mar Heights
Governor Park
La Jolla
Miramar
Sorrento Mesa
Torrey Pines/Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

Chula Vista
National City
Otay Mesa



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