

OFFICE MARKET REPORT

FIRST
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



To view available properties,
please visit:
www.voitco.com



Voit
Commercial Brokerage

CORFAC
International

Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



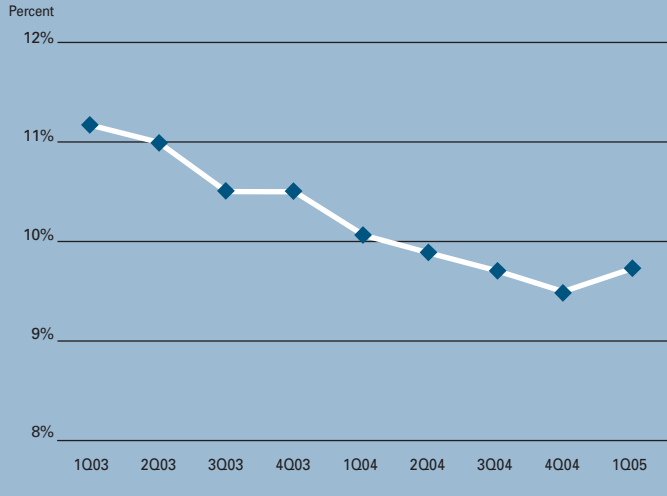
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2005 in San Diego County is 4.6%, which is a decrease of 0.1% since the fourth quarter of 2004 and down from the 5.0% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 2,651,339 square feet of Office construction underway, and total construction is higher than the 2,375,012 square feet that was under construction at this same time last year. This is an increase of 11.63%.
- ◆ Planned Office construction in San Diego County is up over 15% compared to last year. Currently there is 9,950,825 square feet of Office space on the slate as being planned, compared to last year's figure of 8,553,749 square feet.
- ◆ The Office vacancy rate is at 9.65%, which is up from the 9.45% rate we saw during the fourth quarter of 2004.
- ◆ The average asking full service lease rate checked in at \$2.45 a square foot per month this quarter. This is seven cents higher than last quarter and 8.89% higher than what was reported in the first quarter of 2004.
- ◆ The Office absorption checked in at a positive 108,285 square feet for the first quarter of 2005, giving the San Diego Office Market a good start for 2005.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in San Diego County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 7% to 10% in 2005.

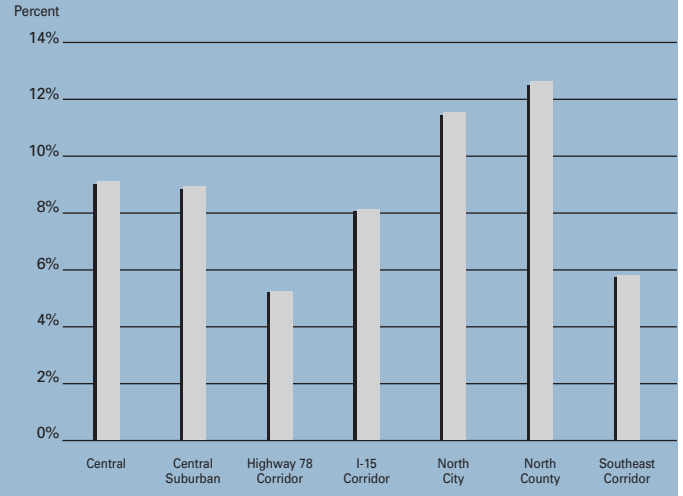
OFFICE MARKET STATISTICS

| | 1Q2005 | 4Q2004 | 1Q2004 | % CHANGE VS. 1Q04 |
|------------------------------|-----------|-----------|-----------|-------------------|
| Under Construction | 2,651,339 | 3,187,299 | 2,375,012 | 11.63% |
| Planned Construction | 9,950,825 | 9,017,639 | 8,553,749 | 16.33% |
| Vacancy | 9.65% | 9.45% | 10.10% | -4.46% |
| Availability | 12.82% | 12.66% | 13.98% | -8.30% |
| Pricing - Full Service Gross | \$2.45 | \$2.38 | \$2.25 | 8.89% |
| Net Absorption | 108,285 | 634,048 | 706,861 | -84.68% |

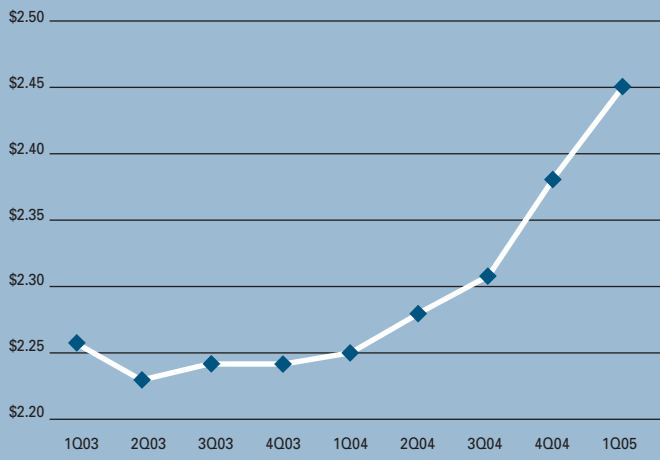
VACANCY RATE



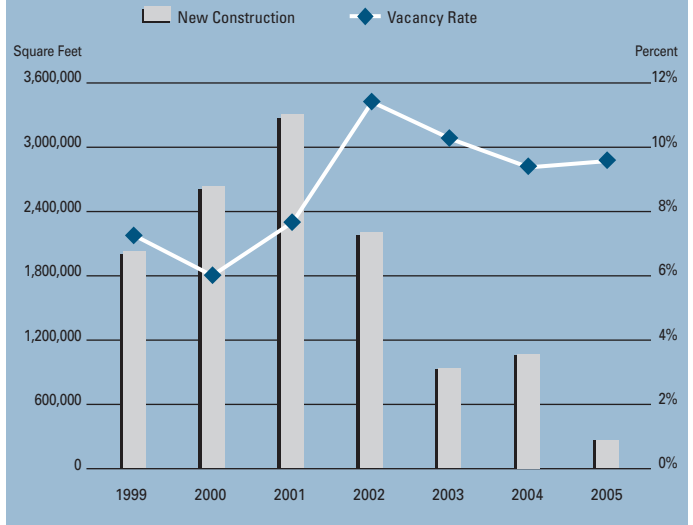
VACANCY RATE BY SUBMARKET



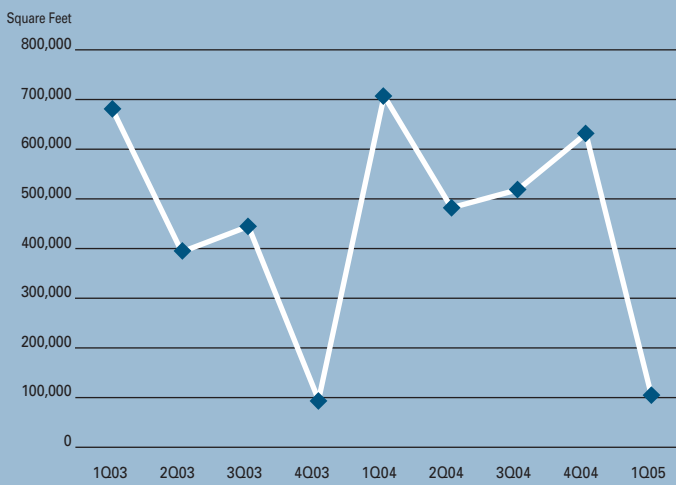
AVERAGE ASKING FULL SERVICE LEASE RATE



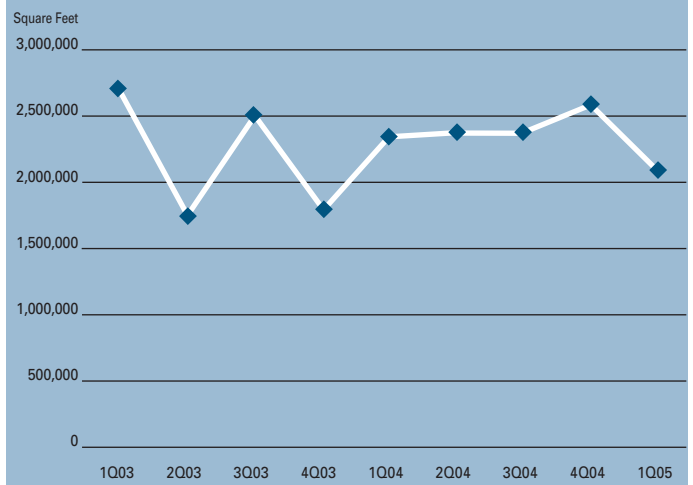
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS 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 1Q2005 | Total Availability 1Q2005 | Average Asking Lease Rate | Net Absorption 1Q2005 | Net Absorption 2004 |
| Central | | | | | | | | | | |
| Downtown | 135 | 11,063,484 | 489,895 | 330,750 | 993,650 | 8.98% | 1,400,396 | \$2.41 | 3,353 | 200,237 |
| Central Total | 135 | 11,063,484 | 489,895 | 330,750 | 993,650 | 8.98% | 1,400,396 | \$2.41 | 3,353 | 200,237 |
| Central Suburban | | | | | | | | | | |
| City Heights/University | 35 | 780,677 | 0 | 78,696 | 57,240 | 7.33% | 97,586 | \$1.69 | (14,159) | 94,858 |
| Kearny Mesa | 207 | 7,993,876 | 233,430 | 1,259,780 | 754,291 | 9.44% | 819,250 | \$1.83 | (16,698) | 302,945 |
| Mission Gorge | 52 | 1,313,755 | 0 | 0 | 57,339 | 4.36% | 80,182 | \$1.40 | (221) | (24,206) |
| Mission Valley | 125 | 6,487,397 | 152,834 | 33,000 | 728,613 | 11.23% | 940,117 | \$2.24 | 122,959 | (182,728) |
| Old Town | 29 | 743,601 | 0 | 0 | 52,759 | 7.10% | 56,799 | \$1.72 | 6,155 | 13,144 |
| Point Loma | 45 | 1,122,493 | 91,729 | 186,650 | 70,522 | 6.28% | 79,725 | \$1.35 | 176 | 41,021 |
| Rose Canyon/Morena | 45 | 979,759 | 0 | 0 | 54,512 | 5.56% | 57,991 | \$0.00 | 39,369 | (63,750) |
| Uptown/Hillcrest | 76 | 1,949,990 | 0 | 0 | 106,600 | 5.47% | 129,433 | \$1.63 | (2,994) | (14,035) |
| Central Suburban Total | 614 | 21,371,548 | 477,993 | 1,558,126 | 1,881,876 | 8.81% | 2,261,083 | \$2.10 | 134,587 | 167,249 |
| Highway 78 Corridor | | | | | | | | | | |
| Oceanside | 28 | 542,786 | 14,850 | 0 | 50,855 | 9.37% | 50,855 | \$1.75 | (5,689) | (9,828) |
| San Marcos/Vista | 78 | 1,975,446 | 38,514 | 366,964 | 84,243 | 4.26% | 172,864 | \$1.46 | 14,953 | 11,693 |
| Highway 78 Corridor Total | 106 | 2,518,232 | 53,364 | 366,964 | 135,098 | 5.36% | 223,719 | \$1.58 | 9,264 | 1,865 |
| I-15 Corridor | | | | | | | | | | |
| Escondido | 57 | 1,187,222 | 0 | 138,000 | 87,339 | 7.36% | 109,285 | \$2.02 | 23,652 | 15,984 |
| Rancho Bernardo/Poway | 105 | 5,297,202 | 211,486 | 2,806,158 | 402,565 | 7.60% | 511,515 | \$2.73 | (27,975) | 404,084 |
| Scripps Ranch | 38 | 1,419,124 | 0 | 700,000 | 158,238 | 11.15% | 197,114 | \$2.26 | (23,361) | 121,038 |
| I-15 Corridor Total | 200 | 7,903,548 | 211,486 | 3,644,158 | 648,142 | 8.20% | 817,914 | \$2.34 | (27,684) | 541,106 |
| North City | | | | | | | | | | |
| Del Mar Heights | 60 | 3,866,738 | 204,401 | 615,000 | 309,851 | 8.01% | 599,134 | \$0.00 | (16,753) | 369,243 |
| Governor Park | 19 | 857,999 | 0 | 0 | 110,257 | 12.85% | 145,882 | \$0.00 | (5,432) | (14,956) |
| La Jolla | 50 | 1,464,824 | 0 | 0 | 164,538 | 11.23% | 177,345 | \$3.37 | (28,187) | 36,372 |
| Miramar | 32 | 1,090,810 | 0 | 0 | 214,525 | 19.67% | 292,435 | \$1.30 | (2,248) | (43,450) |
| N University City - UTC Center | 89 | 7,780,459 | 0 | 650,657 | 808,904 | 10.40% | 1,129,002 | \$2.91 | 80,509 | 324,428 |
| Sorrento Mesa | 112 | 6,518,023 | 830,000 | 1,760,932 | 920,096 | 14.12% | 1,146,540 | \$2.42 | (58,222) | 461,428 |
| Torrey Pines/Sorrento Valley | 57 | 3,413,982 | 0 | 118,954 | 338,382 | 9.91% | 478,224 | \$3.02 | 11,022 | (223,811) |
| North City Total | 419 | 24,992,835 | 1,034,401 | 3,145,543 | 2,866,553 | 11.47% | 3,968,562 | \$2.80 | (19,311) | 909,254 |
| North County | | | | | | | | | | |
| Carlsbad | 112 | 4,312,042 | 104,000 | 380,238 | 629,661 | 14.60% | 829,547 | \$0.00 | 75,146 | 166,486 |
| North Beach Cities | 90 | 2,033,695 | 57,460 | 0 | 177,656 | 8.74% | 184,605 | \$0.00 | 7,918 | 145,887 |
| North County Total | 202 | 6,345,737 | 161,460 | 380,238 | 807,317 | 12.72% | 1,014,152 | \$0.00 | 83,064 | 312,373 |
| South/Southeast Corridor | | | | | | | | | | |
| East County | 100 | 2,144,784 | 0 | 62,560 | 89,355 | 4.17% | 114,331 | \$1.13 | 20,749 | 6,790 |
| South San Diego | 85 | 2,501,456 | 222,740 | 462,486 | 184,949 | 7.39% | 304,476 | \$0.00 | (95,737) | 55,843 |
| South/Southeast Total | 185 | 4,646,240 | 222,740 | 525,046 | 274,304 | 5.90% | 418,807 | \$1.13 | (74,988) | 62,633 |
| Class A | 175 | 21,301,688 | 1,992,332 | 6,797,265 | 2,229,091 | 10.46% | 3,122,243 | \$2.69 | 45,085 | 1,476,493 |
| Class B | 921 | 40,196,915 | 659,007 | 3,120,560 | 4,080,042 | 10.15% | 5,343,748 | \$2.27 | 90,427 | 937,152 |
| Class C | 765 | 17,343,021 | 0 | 33,000 | 1,297,807 | 7.48% | 1,638,642 | \$1.73 | (27,228) | (218,928) |
| San Diego County Total | 1,861 | 78,841,624 | 2,651,339 | 9,950,825 | 7,606,940 | 9.65% | 10,104,633 | \$2.45 | 108,285 | 2,194,717 |

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 2005

SUBMARKETS

CENTRAL

Downtown

CENTRAL SUBURBAN

City Heights/University
Kearny Mesa
Mission Gorge
Mission Valley
Old Town
Point Loma
Rose Canyon/Morena
Uptown/Hillcrest

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos/Vista

I-15 CORRIDOR

Escondido
Rancho Bernardo/Poway
Scripps Ranch

NORTH CITY

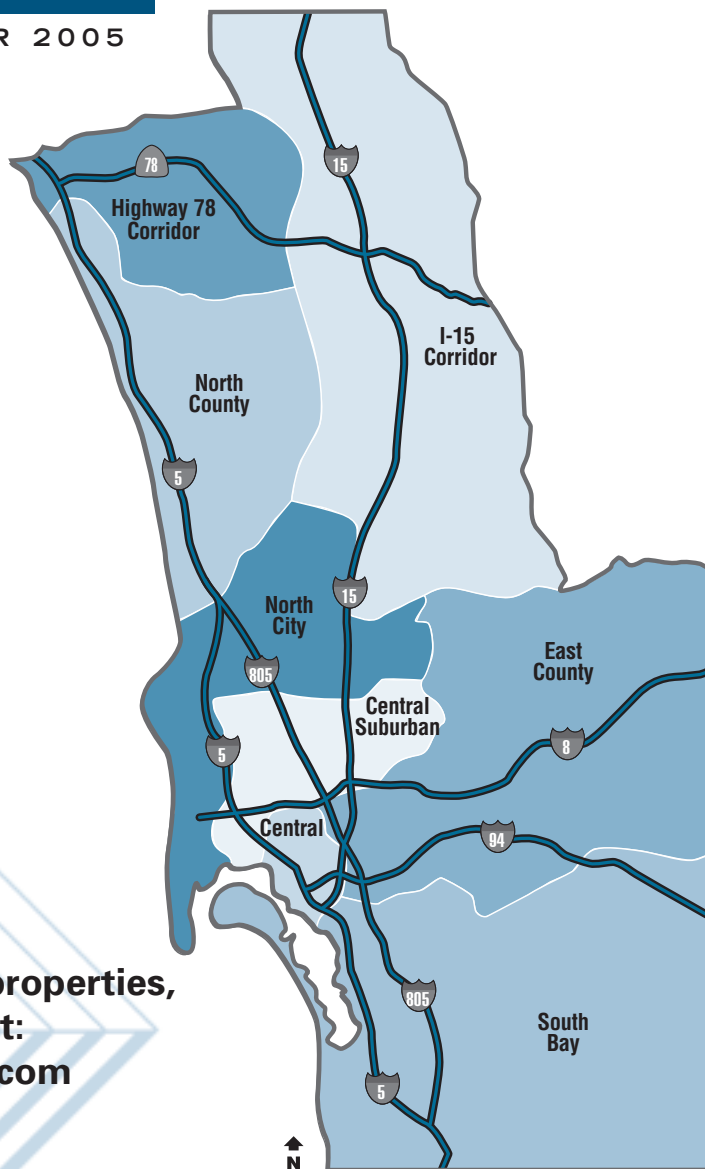
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



To view available properties,
please visit:
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.