

OFFICE MARKET REPORT

FIRST
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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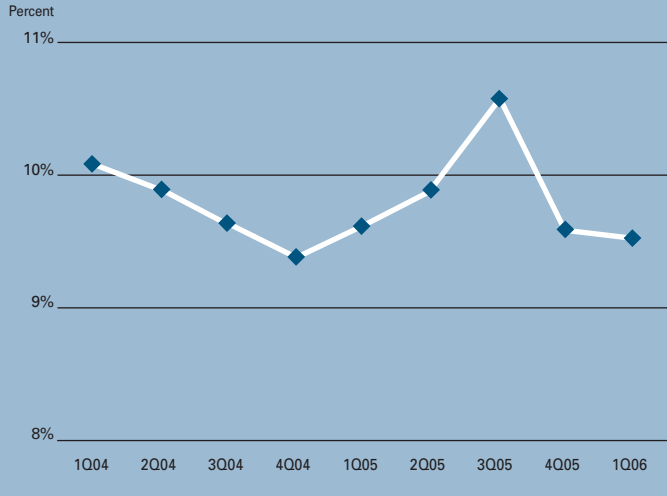
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2006 in San Diego County is 4.1%, which is a decrease of 0.1% since the fourth quarter of 2005 and down from the 4.7% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,800 new non-farm jobs in 2005, and they are forecasting 22,600 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 4,264,304 square feet of Office construction underway, and total construction is higher than the 2,651,339 square feet that was under construction at this same time last year. This is an increase of over 60% when compared to last year.
- ◆ Planned Office construction in San Diego County is slightly down compared to last year. Currently there is 9 million square feet of Office space on the slate as being planned, compared to last year's figure of 10 million square feet.
- ◆ The Office vacancy rate is at 9.53%, which is down from the 9.65% rate we saw during the first quarter of 2005. This low rate is putting upward pressure on lease rates.
- ◆ The average asking full service lease rate checked in at \$2.62 a square foot per month this quarter, new record high. This is ten cents higher than last quarter and 6.94% higher than what was reported in the first quarter of 2005.
- ◆ The Office absorption checked in at a positive 349,538 square feet for the first quarter of 2006, giving the San Diego Office Market a total of 6.7 million square feet of positive absorption for the last 13 quarters.
- ◆ Rental rates are expected to continue to increase at moderate levels in the short run, and concessions will lessen as the economy in San Diego County continues to expand. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 5% to 7% in 2006.

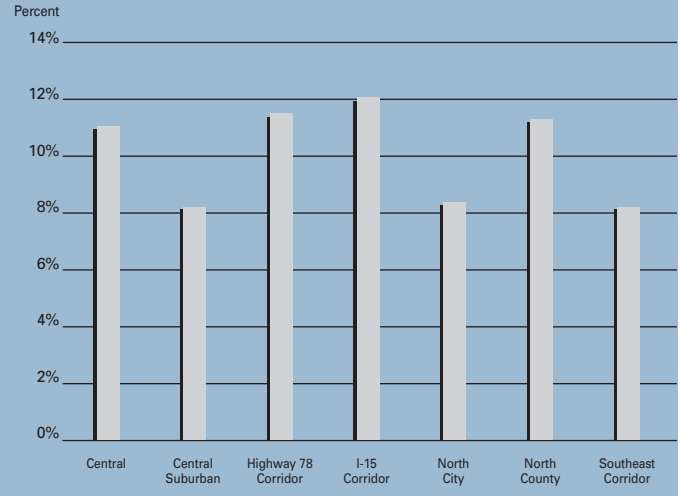
OFFICE MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	4,264,304	4,034,118	2,651,339	60.84%
Planned Construction	9,004,486	9,248,471	9,950,825	-9.51%
Vacancy	9.53%	9.61%	9.65%	-1.24%
Availability	12.69%	11.97%	12.82%	-1.01%
Pricing - Full Service Gross	\$2.62	\$2.52	\$2.45	6.94%
Net Absorption	349,538	885,713	108,285	N/A

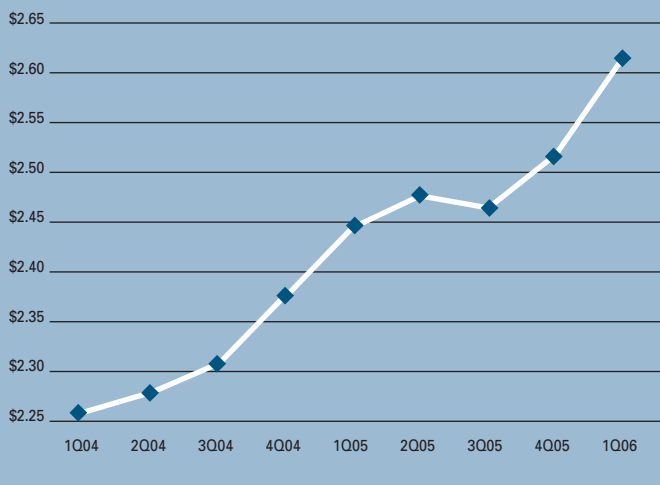
VACANCY RATE



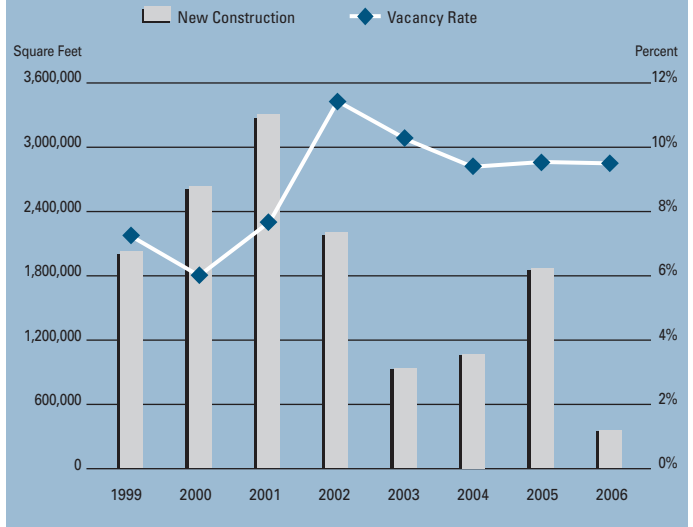
VACANCY RATE BY SUBMARKET



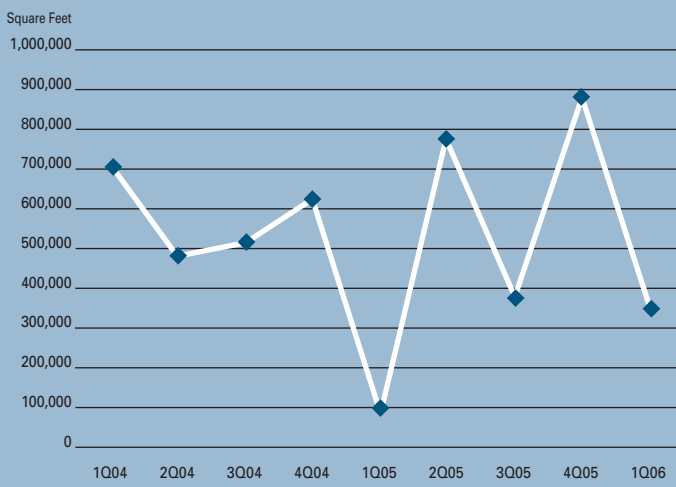
AVERAGE ASKING FULL SERVICE LEASE RATE



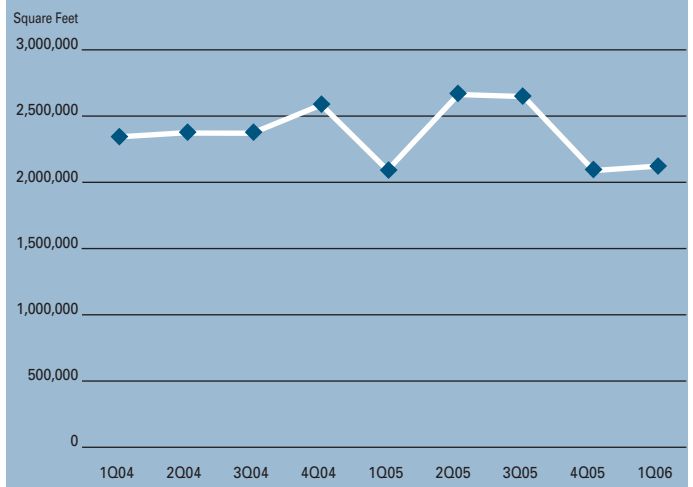
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 1Q2006	Total Availability 1Q2006	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005
Central										
Downtown	135	11,536,840	543,179	0	1,286,432	11.15%	1,576,485	\$2.67	20,641	181,110
Central Total	135	11,536,840	543,179	0	1,286,432	11.15%	1,576,485	\$2.67	20,641	181,110
Central Suburban										
City Heights/University	38	867,105	0	78,696	95,903	11.06%	96,043	\$1.70	(29,128)	(7,613)
Kearny Mesa	215	8,483,590	483,910	798,000	694,007	8.18%	847,740	\$1.94	63,173	255,154
Mission Gorge	49	1,202,903	0	0	72,530	6.03%	89,057	\$1.45	(4,005)	(6,460)
Mission Valley	128	6,725,988	0	184,000	751,117	11.17%	983,518	\$2.38	1,573	295,692
Old Town	29	700,032	0	0	33,751	4.82%	38,845	\$1.72	13,306	(1,187)
Point Loma	49	1,310,381	72,018	109,000	72,997	5.57%	77,374	\$1.35	20,903	83,723
Rose Canyon/Morena	44	973,364	0	0	38,257	3.93%	61,972	\$0.00	12,191	43,433
Uptown/Hillcrest	76	1,943,838	0	0	97,568	5.02%	133,108	\$1.64	(16,707)	20,037
Central Suburban Total	628	22,207,201	555,928	1,169,696	1,856,130	8.36%	2,327,657	\$2.20	61,306	682,779
Highway 78 Corridor										
Oceanside	29	559,031	10,538	164,610	65,147	11.65%	65,147	\$1.75	(15,788)	3,565
San Marcos/Vista	74	1,926,056	125,050	227,000	217,702	11.30%	217,702	\$1.90	15,292	(36,713)
Highway 78 Corridor Total	103	2,485,087	135,588	391,610	282,849	11.38%	282,849	\$1.87	(496)	(33,148)
I-15 Corridor										
Escondido	57	1,137,973	12,137	130,882	80,759	7.10%	92,956	\$2.23	(7,116)	43,015
Poway	29	1,215,510	0	324,000	218,050	17.94%	220,663	\$0.00	8,895	0
Rancho Bernardo	82	4,503,308	816,240	1,552,588	517,084	11.48%	629,321	\$0.00	(61,338)	19,005
Scripps Ranch	38	1,417,498	60,000	470,000	186,435	13.15%	235,748	\$2.17	2,133	(38,899)
I-15 Corridor Total	206	8,274,289	888,377	2,477,470	1,002,328	12.11%	1,178,688	\$2.21	(57,426)	23,121
North City										
Del Mar Heights	61	3,977,228	232,330	575,000	258,048	6.49%	511,420	\$0.00	46,610	355,198
Governor Park	19	858,037	0	0	100,200	11.68%	105,732	\$2.60	4,561	1,082
La Jolla	50	1,633,995	0	0	110,656	6.77%	131,050	\$3.24	29,061	22,217
Miramar	34	1,121,995	0	0	176,963	15.77%	236,148	\$0.00	16,488	42,816
N University City - UTC Center	85	7,137,307	156,560	852,097	610,716	8.56%	870,038	\$3.22	19,647	322,898
Sorrento Mesa	115	7,166,146	1,135,000	1,761,513	633,156	8.84%	1,456,321	\$2.67	118,292	169,058
Torrey Pines/Sorrento Valley	55	3,353,180	71,000	53,839	274,571	8.19%	345,331	\$3.50	18,589	202,840
North City Total	419	25,247,888	1,594,890	3,242,449	2,164,310	8.57%	3,656,040	\$3.08	253,248	1,116,109
North County										
Carlsbad	116	4,457,024	389,597	1,250,111	579,800	13.01%	591,159	\$2.50	42,334	326,836
North Beach Cities	99	2,186,427	60,400	0	165,024	7.55%	185,002	\$0.00	5,797	78,733
North County Total	215	6,643,451	449,997	1,250,111	744,824	11.21%	776,161	\$2.50	48,131	405,569
South/Southeast Corridor										
East County	94	2,016,899	55,560	49,750	108,044	5.36%	114,791	\$1.58	(27,974)	25,942
South San Diego	91	2,746,942	40,785	423,400	291,258	10.60%	384,860	\$0.00	52,108	101,595
South/Southeast Total	185	4,763,841	96,345	473,150	399,302	8.38%	499,651	\$1.58	24,134	127,537
Class A	206	23,427,483	3,535,099	6,542,310	2,848,408	12.16%	3,983,911	\$2.90	343,051	847,993
Class B	942	41,031,436	729,205	2,462,176	3,524,362	8.59%	4,781,945	\$2.21	193,654	1,564,592
Class C	743	16,699,678	0	0	1,363,405	8.16%	1,531,675	\$1.75	(187,167)	90,492
San Diego County Total	1,891	81,158,597	4,264,304	9,004,486	7,736,175	9.53%	10,297,531	\$2.62	349,538	2,503,077

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 2006

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
Poway
Rancho Bernardo
Scripps Ranch

NORTH CITY

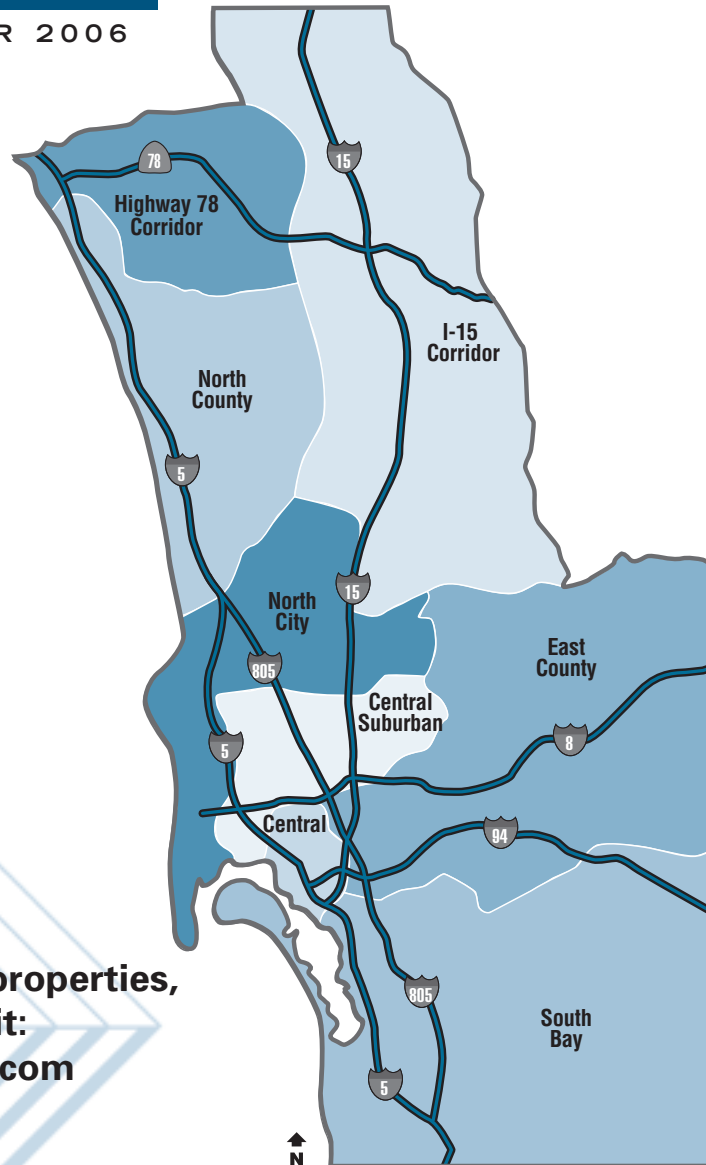
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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