

OFFICE MARKET REPORT

FIRST
QUARTER
2007

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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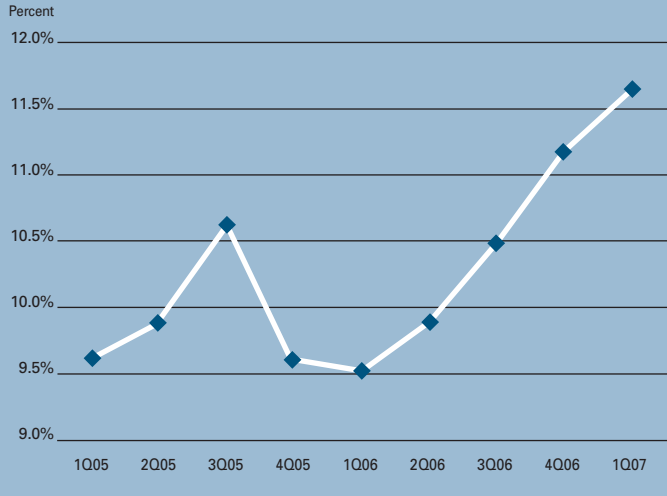
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2007 in San Diego County is 4.2%, which is 0.3% higher than it was when compared to the fourth quarter of 2006, and the same as it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 4,648,947 square feet of Office construction underway, and total construction is higher than the 4,264,304 square feet that was under construction at this same time last year. This is an increase of 9.02% when compared to last year.
- ◆ Planned Office construction in San Diego County is up compared to last year. Currently there is 10,016,960 square feet of Office space on the slate as being planned, compared to last year's figure of 9,004,486 square feet.
- ◆ The Office vacancy rate is at 11.67%, which is higher than the 9.53% we saw a year ago.
- ◆ The average asking full service lease rate checked in at \$2.69 a square foot per month this quarter. This is 2.67% higher than what was reported in the first quarter of 2006 and a new record high.
- ◆ The Office absorption checked in at positive 276,619 square feet for the first quarter of 2007, giving the San Diego Office Market a total of 1.15million square feet of positive absorption for the last five 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 3% to 5% in 2007.

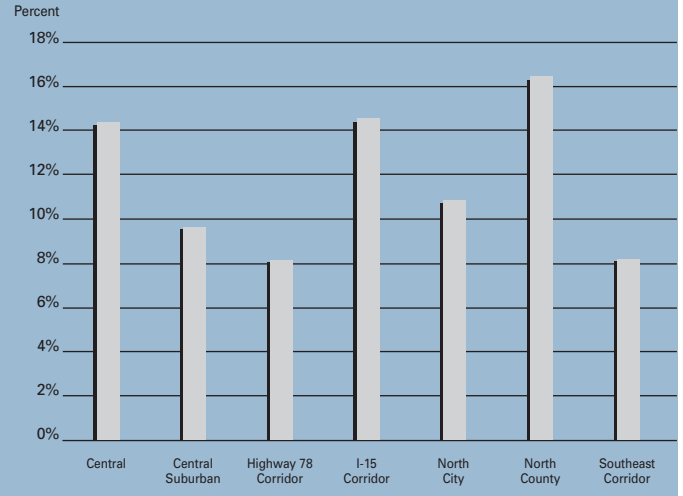
OFFICE MARKET STATISTICS

| | 1Q2007 | 4Q2006 | 1Q2006 | % CHANGE VS. 1Q06 |
|------------------------------|------------|-----------|-----------|-------------------|
| Under Construction | 4,648,947 | 4,610,649 | 4,264,304 | 9.02% |
| Planned Construction | 10,016,960 | 9,351,993 | 9,004,486 | 11.24% |
| Vacancy | 11.67% | 11.18% | 9.53% | 22.46% |
| Availability | 14.45% | 14.45% | 12.69% | 13.87% |
| Pricing - Full Service Gross | \$2.69 | \$2.61 | \$2.62 | 2.67% |
| Net Absorption | 276,619 | 32,503 | 349,538 | N/A |

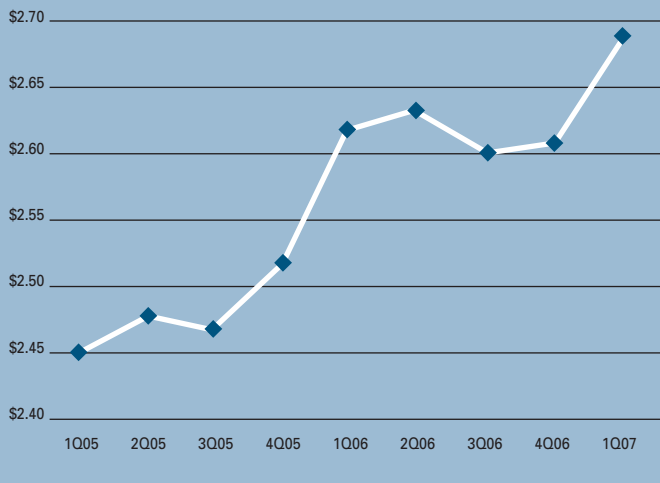
VACANCY RATE



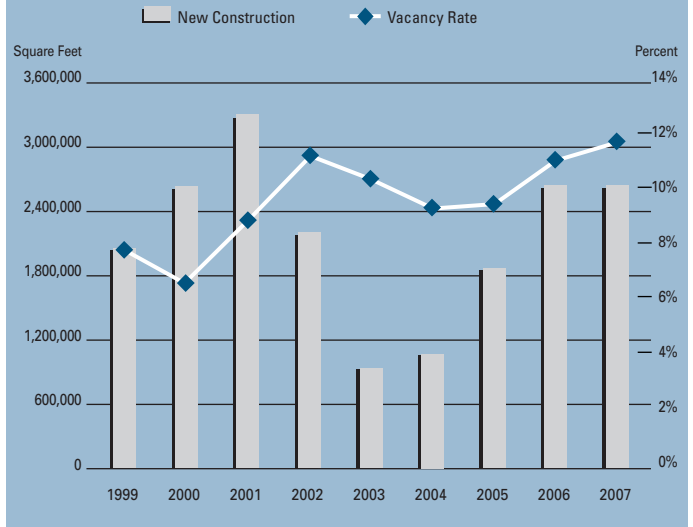
VACANCY RATE BY SUBMARKET



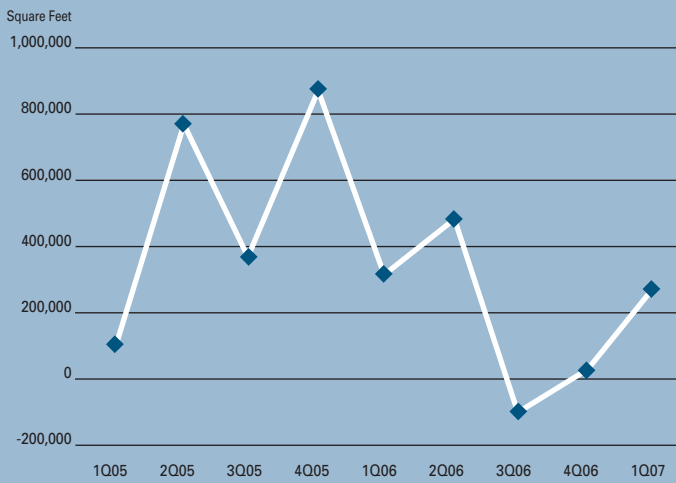
AVERAGE ASKING FULL SERVICE LEASE RATE



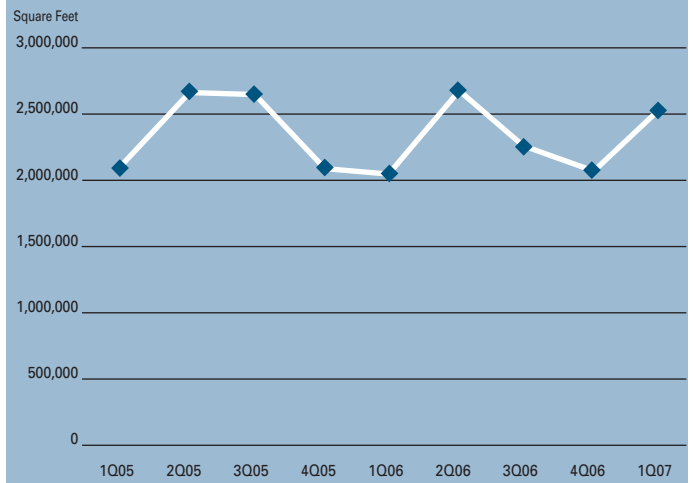
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FIRST QUARTER 2007

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 1Q2007 | Total Availability 1Q2007 | Average Asking Lease Rate | Net Absorption 1Q2007 | Net Absorption 2006 |
|----------------------------------|---------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|---------------------------|---------------------------|-----------------------|---------------------|
| Central | | | | | | | | | | |
| Downtown | 141 | 12,192,139 | 80,000 | 0 | 1,767,136 | 14.49% | 1,888,190 | \$2.85 | (113,670) | 59,319 |
| Central Total | 141 | 12,192,139 | 80,000 | 0 | 1,767,136 | 14.49% | 1,888,190 | \$2.85 | (113,670) | 59,319 |
| Central Suburban | | | | | | | | | | |
| City Heights/University | 41 | 1,035,333 | 0 | 78,696 | 95,068 | 9.18% | 95,068 | \$2.25 | 15,950 | (24,943) |
| Kearny Mesa | 223 | 8,974,879 | 510,447 | 1,259,135 | 791,292 | 8.82% | 1,220,984 | \$1.93 | (26,900) | 197,814 |
| Mission Gorge | 55 | 1,388,234 | 0 | 0 | 151,855 | 10.94% | 156,753 | \$1.42 | (64,059) | (18,571) |
| Mission Valley | 126 | 6,656,234 | 91,089 | 105,000 | 873,372 | 13.12% | 1,205,661 | \$2.49 | (59,592) | (70,321) |
| Old Town | 29 | 698,723 | 0 | 0 | 46,628 | 6.67% | 43,900 | \$1.59 | (5,617) | 6,046 |
| Point Loma | 60 | 1,704,396 | 0 | 109,000 | 152,762 | 8.96% | 152,926 | \$1.73 | 6,959 | 36,338 |
| Rose Canyon/Morena | 49 | 1,076,835 | 0 | 0 | 61,890 | 5.75% | 102,598 | \$0.00 | 7,791 | (21,149) |
| Uptown/Hillcrest | 80 | 2,020,105 | 0 | 0 | 93,632 | 4.64% | 113,254 | \$0.00 | 9,912 | (35,800) |
| Central Suburban Total | 663 | 23,554,739 | 601,536 | 1,551,831 | 2,266,499 | 9.62% | 3,091,144 | \$2.31 | (115,556) | 69,414 |
| Highway 78 Corridor | | | | | | | | | | |
| Oceanside | 32 | 610,700 | 57,215 | 568,610 | 75,195 | 12.31% | 73,808 | \$1.75 | 934 | (3,171) |
| San Marcos/Vista | 83 | 2,166,714 | 575,317 | 1,072,932 | 149,549 | 6.90% | 160,142 | \$1.65 | (6,012) | 198,686 |
| Highway 78 Corridor Total | 115 | 2,777,414 | 632,532 | 1,641,542 | 224,744 | 8.09% | 233,950 | \$1.74 | (5,078) | 195,515 |
| I-15 Corridor | | | | | | | | | | |
| Escondido | 70 | 1,406,322 | 118,777 | 52,105 | 106,469 | 7.57% | 102,422 | \$2.25 | (15,933) | (1,138) |
| Poway | 29 | 1,232,213 | 25,612 | 324,000 | 203,420 | 16.51% | 239,703 | \$0.00 | 59 | 23,466 |
| Rancho Bernardo | 85 | 4,736,283 | 1,366,627 | 607,673 | 662,803 | 13.99% | 812,945 | \$1.85 | 79,239 | (33,005) |
| Scripps Ranch | 40 | 1,555,979 | 0 | 807,617 | 344,008 | 22.11% | 352,968 | \$2.36 | 30,077 | (129,315) |
| I-15 Corridor Total | 224 | 8,930,797 | 1,511,016 | 1,791,395 | 1,316,700 | 14.74% | 1,508,038 | \$2.31 | 93,442 | (139,992) |
| North City | | | | | | | | | | |
| Del Mar Heights | 63 | 4,171,872 | 197,832 | 225,000 | 482,384 | 11.56% | 621,918 | \$0.00 | 93,879 | (44,591) |
| Governor Park | 19 | 858,381 | 0 | 0 | 88,235 | 10.28% | 264,773 | \$2.70 | 9,650 | 6,876 |
| La Jolla | 54 | 1,748,609 | 0 | 0 | 70,056 | 4.01% | 71,146 | \$2.50 | 13,069 | 61,492 |
| Miramar | 34 | 1,603,859 | 0 | 65,600 | 148,614 | 9.27% | 208,232 | \$0.00 | 31,489 | 7,252 |
| N University City - UTC Center | 87 | 7,126,799 | 347,019 | 482,097 | 864,365 | 12.13% | 892,458 | \$3.26 | 81,719 | (120,770) |
| Sorrento Mesa | 123 | 8,556,764 | 375,215 | 1,918,513 | 1,084,459 | 12.67% | 1,559,416 | \$2.49 | 226,555 | 530,633 |
| Torrey Pines/Sorrento Valley | 53 | 3,267,158 | 0 | 53,839 | 245,429 | 7.51% | 297,220 | \$3.68 | (77,388) | 124,506 |
| North City Total | 433 | 27,333,442 | 920,066 | 2,745,049 | 2,983,542 | 10.92% | 3,915,163 | \$3.00 | 378,973 | 565,398 |
| North County | | | | | | | | | | |
| Carlsbad | 130 | 5,164,504 | 654,849 | 1,281,643 | 1,050,615 | 20.34% | 1,117,941 | \$2.35 | (30,597) | 97,859 |
| North Beach Cities | 105 | 2,265,989 | 90,359 | 30,000 | 173,906 | 7.67% | 217,048 | \$2.65 | 37,962 | (47,163) |
| North County Total | 235 | 7,430,493 | 745,208 | 1,311,643 | 1,224,521 | 16.48% | 1,334,989 | \$2.50 | 7,365 | 50,696 |
| South/Southeast Corridor | | | | | | | | | | |
| East County | 104 | 2,209,449 | 93,580 | 638,500 | 118,976 | 5.38% | 155,205 | \$1.50 | (1,421) | (15,555) |
| South San Diego | 97 | 3,107,395 | 65,009 | 337,000 | 316,480 | 10.18% | 525,527 | \$0.00 | 32,564 | 85,712 |
| South/Southeast Total | 201 | 5,316,844 | 158,589 | 975,500 | 435,456 | 8.19% | 680,732 | \$1.50 | 31,143 | 70,157 |
| Class A | 216 | 26,381,793 | 2,638,399 | 6,949,744 | 4,142,474 | 15.70% | 4,990,854 | \$2.98 | 615,933 | 813,988 |
| Class B | 1,020 | 43,470,526 | 2,010,548 | 3,022,216 | 4,847,492 | 11.15% | 6,167,631 | \$2.28 | (253,236) | 12,619 |
| Class C | 776 | 17,683,549 | 0 | 45,000 | 1,228,632 | 6.95% | 1,493,721 | \$1.68 | (86,078) | 43,900 |
| San Diego County Total | 2,012 | 87,535,868 | 4,648,947 | 10,016,960 | 10,218,598 | 11.67% | 12,652,206 | \$2.69 | 276,619 | 870,507 |

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 2007

SUBMARKETS

CENTRAL
Downtown

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

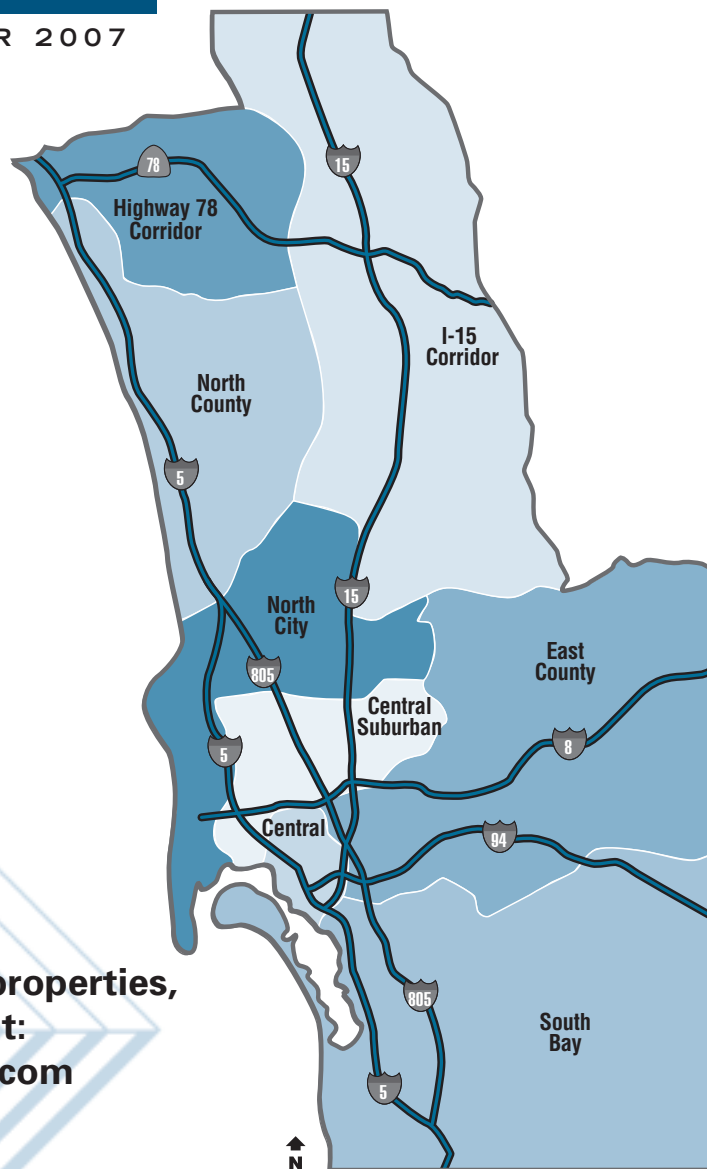
HIGHWAY 78 CORRIDOR
Oceanside
San Marcos/Vista

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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