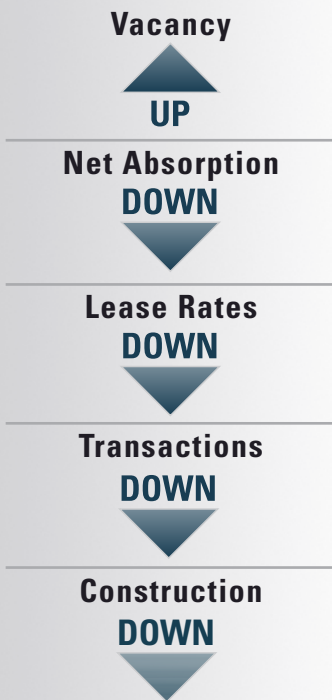




Office Market Report

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Compared to last quarter:



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Office Market Highlights

- ◆ The San Diego County Office 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 office market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The average asking full service gross lease rate per month per foot is currently \$2.57, which is a 6.88% decrease over last year's first quarter rate of \$2.76, and eleven cents lower than last quarter. Class A rates for the county are averaging \$2.83 FSG, and are the highest in the North City submarket at \$2.90 FSG.
- ◆ The office vacancy rate (for direct and sublease space) finished the quarter at 16.03%, constituting a 25.23% increase over last year's first quarter rate of 12.80%. This increase is a result of the new construction, 2.5 million square feet during 2008, coupled with a slowing economy, as financial markets correct.
- ◆ Net absorption for the county posted a negative number of 84,292 square feet for the first quarter of 2009. In 2008 San Diego County had a total of 1,165,327 square feet of negative absorption. The slowdown in absorption can be attributed to the credit crunch and the general slowdown in the economy.
- ◆ The level of activity registered at 1.1 million square feet for the first quarter of 2009. This is down from the 2.9 million square feet of activity when compared to the same quarter last year, and is below the 2008 average of 2.7 million square feet per quarter. The recent lack of activity can be tied to the economic slowdown as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.
- ◆ Currently there is 1.3 million square feet of Office construction underway, and total construction is lower than it was a year ago when 3.2 million square feet was under construction. This is a decrease of 59% when compared to last year, a positive sign.
- ◆ Planned Office construction in San Diego County is down compared to last year. Currently there is 8.8 million square feet of Office space on the slate as being planned, compared to last year's figure of 10.3 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County lost 37,900 payroll jobs over the last twelve months. Between January 2009 and February 2009 San Diego County lost 2,700 jobs, mostly in the retail trade, transportation & utilities and construction sectors.
- ◆ The unemployment rate in San Diego County was 8.8% in February 2009. This is up from a revised 8.7% percent in January 2009, and above the year ago estimate of 5.0%. This compares with an unadjusted unemployment rate of 10.9 percent for California and 8.9 percent for the nation during the same period.
- ◆ Lease rates are expected to remain soft for the short run, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from construction deliveries.



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OFFICE MARKET OVERVIEW				
	1Q2009	4Q2008	1Q2008	% CHANGE VS. 1Q08
Under Construction	1,289,223	1,398,115	3,153,697	-59.12%
Planned Construction	8,824,491	9,203,040	10,314,000	-14.44%
Vacancy	16.03%	15.85%	12.80%	25.23%
Availability	19.46%	18.51%	16.85%	15.49%
Avg. Ask Lease Rate-FSG	\$2.57	\$2.68	\$2.76	-6.88%
Transactions	1,137,204	2,256,193	2,960,186	-61.58%
Net Absorption	-84,292	-297,497	-238,994	N/A

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RECENT TRANSACTIONS

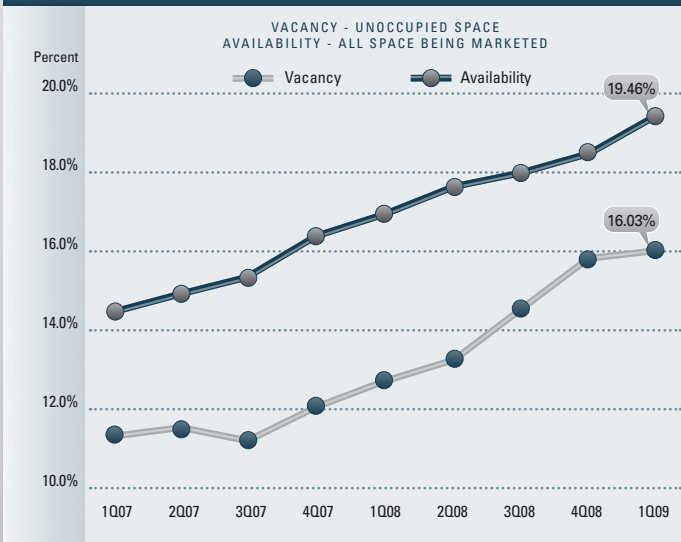
Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
850 Lagoon Dr. - Goodrich Aerostructures	Chula Vista	B	160,000	\$7,000,000	Pacifica Companies	Chula Vista Capital Corporation
1202 Morena Blvd. - Morena Office Centre	Morena	B	26,784	\$6,600,000	NetREIT, Inc.	Morena Office Centre, LLC
765 Medical Center Court	Chula Vista	B	48,851	\$4,504,000	Sharp HealthCare	Rendina Companies
1446 Front St. - McClain Bldg	Downtown	C	14,000	\$2,925,000	Front Place LLC	M. Reza Mashayelhi

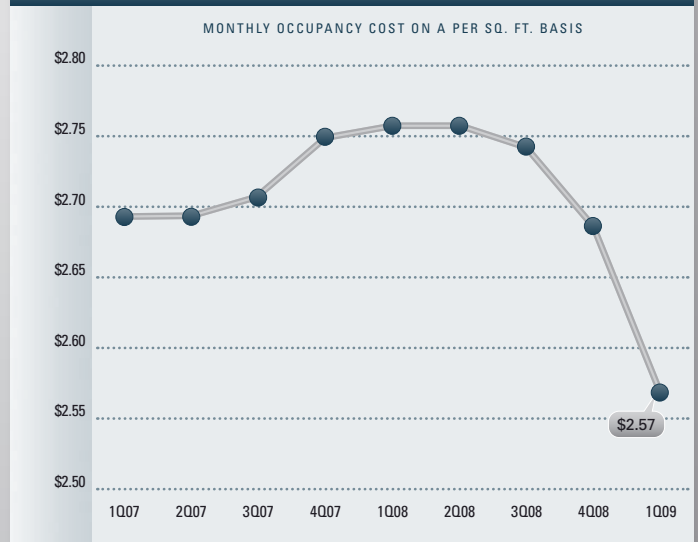
Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
2544 Campbell Place	Carlsbad	B	36,000	January-09	N/A	Moderma Del Mar LLC
4747 Executive Drive	UTC	A	28,421	February-09	KPMG, LLC	Hines/TIAA-CREF
9620 Towne Centre Drive	UTC	B	25,000	January-09	DataQuick Information	The Irvine Company
9920 Pacific Heights Blvd.	Sorrento Mesa	A	24,131	March-09	ProfitLine, Inc.	RREEF America LLC

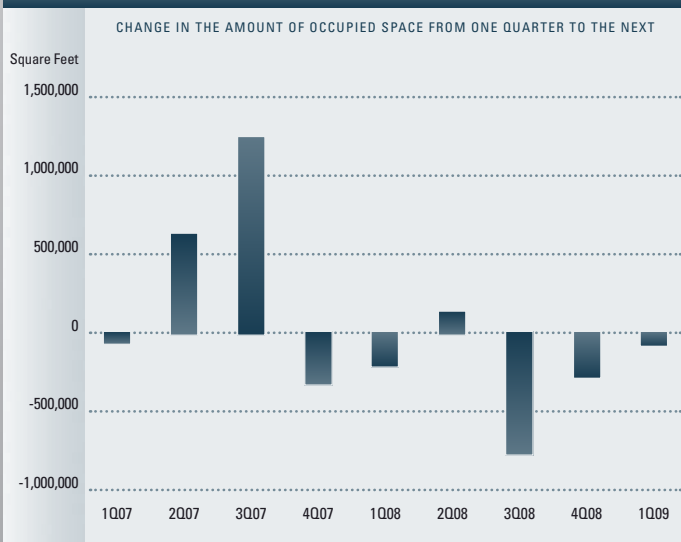
VACANCY & AVAILABILITY RATE



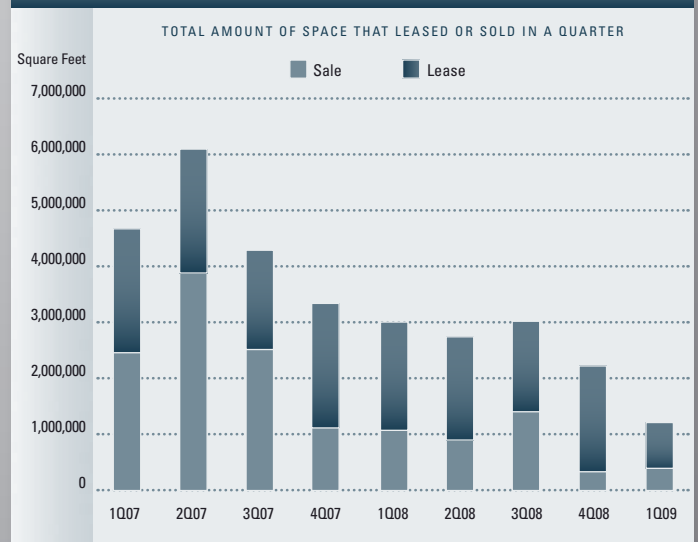
AVERAGE ASKING FULL SERVICE LEASE RATE



NET ABSORPTION



SALE & LEASE TRANSACTIONS



	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2009	Total Availability 1Q2009	Average Asking Lease Rate	Net Absorption 1Q2009	Net Absorption 2008	Gross Absorption 1Q2009	Gross Absorption 2008
Central												
Downtown	128	12,248,196	40,000	0	1,783,318	14.56%	2,303,581	\$2.61	(6,573)	(73,113)	236,920	930,947
Central Total	128	12,248,196	40,000	0	1,783,318	14.56%	2,303,581	\$2.61	(6,573)	(73,113)	236,920	930,947
Central Suburban												
City Heights/University	54	1,357,360	0	109,696	96,235	7.09%	120,549	\$2.21	8,292	26,373	17,873	128,217
Kearny Mesa	233	9,965,148	20,300	854,000	1,442,293	14.47%	1,716,308	\$2.13	247,790	55,399	433,532	814,219
Mission Gorge	59	1,564,374	0	0	138,933	8.88%	138,933	\$1.41	(339)	(36,607)	10,044	77,532
Mission Valley	123	6,667,603	0	55,000	1,164,549	17.47%	1,347,562	\$2.49	(11,260)	(230,291)	221,371	557,944
Old Town	38	1,001,754	0	0	81,578	8.14%	157,011	\$2.20	(6,518)	(24,220)	18,182	50,254
Point Loma	59	1,680,454	104,397	0	48,802	2.90%	137,394	\$0.00	203	12,461	20,895	71,067
Rose Canyon/Morena	55	1,186,132	10,831	0	119,415	10.07%	169,255	\$1.76	(19,024)	(26,187)	7,970	80,025
Uptown/Hillcrest	75	1,883,913	0	0	134,585	7.14%	182,500	\$1.87	7,974	(54,522)	27,923	80,429
Central Suburban Total	696	25,306,738	135,528	1,018,696	3,226,390	12.75%	3,969,512	\$2.28	227,118	(277,594)	757,790	1,859,687
Highway 78 Corridor												
Oceanside	43	843,164	12,000	431,832	209,203	24.81%	211,513	\$0.00	(18,368)	67,141	2,299	180,121
San Marcos/Vista	95	2,509,479	55,929	1,140,878	479,608	19.11%	506,571	\$1.58	(11,890)	(24,662)	66,712	199,295
Highway 78 Corridor Total	138	3,352,643	67,929	1,572,710	688,811	20.55%	718,084	\$1.58	(30,258)	42,479	69,011	379,416
I-15 Corridor												
Escondido	74	1,525,119	0	43,107	228,954	15.01%	255,034	\$1.91	(18,618)	29,435	7,020	(1,138)
Poway	33	1,404,672	0	364,570	71,295	5.08%	63,535	\$2.25	(2,615)	22,133	4,766	63,789
Rancho Bernardo	108	6,680,845	646,734	896,606	1,216,575	18.21%	1,531,671	\$1.92	56,502	353,974	128,959	1,081,835
Scripps Ranch	45	1,817,808	150,000	672,000	468,090	25.75%	514,064	\$2.43	(21,472)	(43,485)	144,024	105,663
I-15 Corridor Total	260	11,428,444	796,734	1,976,283	1,984,914	17.37%	2,364,304	\$2.18	13,797	362,057	284,769	1,250,149
North City												
Del Mar Heights	68	4,479,468	0	91,256	878,424	19.61%	1,314,740	\$3.90	39,350	(304,881)	129,098	464,597
Governor Park	19	859,736	0	0	345,320	40.17%	483,253	\$2.65	18,266	(82,138)	38,301	107,735
La Jolla	56	1,666,928	0	0	89,765	5.39%	160,590	\$3.39	(23,861)	16,606	19,335	111,833
Miramar	34	1,578,766	0	0	255,544	16.19%	293,559	\$1.95	8,247	(47,203)	31,692	171,001
Sorrento Mesa	126	8,946,308	0	1,448,649	1,507,884	13.67%	1,865,636	\$2.37	96,449	(243,073)	311,089	770,653
Torrey Pines/Sorrento Valley	58	3,764,727	0	0	327,998	12.72%	470,694	\$3.70	(27,714)	28,053	2,350	110,510
UTC Center	90	7,442,714	0	689,097	1,509,019	20.28%	1,582,163	\$3.05	(289,762)	(447,816)	122,875	545,180
North City Total	451	28,738,647	0	2,229,002	4,913,954	17.10%	6,170,635	\$2.90	(179,025)	(1,080,452)	654,740	2,281,509
North County												
Carlsbad	148	5,987,150	141,903	1,049,300	1,399,265	23.37%	1,533,794	\$2.30	12,015	(137,067)	169,207	895,687
North Beach Cities	110	2,419,563	33,000	20,000	286,349	11.83%	379,537	\$2.81	(20,926)	(84,055)	43,234	172,440
North County Total	258	8,406,713	174,903	1,069,300	1,685,614	20.05%	1,913,331	\$2.74	(8,911)	(221,122)	212,441	1,068,127
South/Southeast Corridor												
East County	126	2,584,857	26,432	666,000	224,016	8.67%	291,251	\$1.38	1,856	(38,714)	27,667	119,814
South San Diego	122	3,580,809	47,697	292,500	829,136	23.15%	885,171	\$1.77	(102,296)	(312,401)	55,251	212,930
South/Southeast Total	248	6,165,666	74,129	958,500	1,053,152	17.08%	1,176,422	\$1.61	(100,440)	(351,115)	82,918	332,744
Class A	258	29,821,004	1,039,187	5,389,352	6,635,788	22.25%	7,389,195	\$2.83	123,993	(199,610)	983,265	3,347,186
Class B	1,129	47,633,481	250,036	3,435,139	7,152,473	15.02%	9,230,686	\$2.30	(87,932)	(987,657)	1,086,627	3,724,872
Class C	792	18,192,562	0	0	1,547,892	8.51%	1,995,988	\$1.74	(120,353)	(411,593)	228,697	1,030,521
San Diego County Total	2,179	95,647,047	1,289,223	8,824,491	15,336,153	16.03%	18,615,869	\$2.57	(84,292)	(1,598,860)	2,298,589	8,102,579

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

CONSTRUCTION UPDATE

Under Construction

Property Address	Submarket	Class	Square Feet	# of Floors	Estimate Delivery	Recorded Owner
Via Esprillo - Sony HQ Tower	Rancho Bernardo	A	450,000	11	July-09	Sony Electronics, Inc.
Summit Rancho Bernardo	Rancho Bernardo	A	196,734	5	April-09	Bernardo Summit LLC
MedImpact Campus	Scripps Ranch	A	150,000	6	April-10	N/A
Liberty Station	Point Loma	A	104,397	3	June-09	McMillin Companies, Inc.

Recent Deliveries

Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner
Pacific Medical Plaza	Sorrento Mesa	A	50,925	3	January-09	Kilroy Realty Corporation
9685 Via Excelencia	Miramar	A	38,433	2	January-09	Scripps Park West LLC
Windy Point Corporate Center	San Marcos/Vista	B	28,343	2	February-09	N/A
560 Carlsbad Village Drive	Carlsbad	B	22,500	2	January-09	Thomas J. Hurley

Product Type

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



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This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.