

Report

SECOND
QUARTER
2003

Market Highlights

- Unemployment in the second quarter of 2003 in San Diego County is 4.1%, which is a decrease of 0.3% since the first quarter of 2003 and up from the 3.7% we saw a year ago.
- According to The Greater San Diego Commerce Economic Research Bureau, it is estimated that San Diego County added 25,000 new jobs in 2002, and is forecasting 23,000 new jobs to be added to the county in 2003.
- Currently there is 1,404,927 square feet of Office construction underway, and total construction is a little higher than the 1,341,335 square feet that was under construction at this same time last year. This is an increase of almost 5%.
- Planned Office construction in San Diego County is down by over 50% compared to last year. Currently there is 4,604,425 square feet of Office space on the slate as being planned, compared to last year's figure of 9,654,269 square feet.
- The Office vacancy rate is at 9.83%, which is down from the 11.05% rate during the first quarter of 2003. Although, when we add in the sublease space, the availability rate increased over 12% when compared to last year. This increase of supply can be explained by the slower economy coupled with the product that has been added to market place over the past few years.
- The average asking full service lease rate checked in at \$2.07 a square foot per month this quarter. This is the same as last quarter and 5.91% lower than what was reported in the second quarter of 2002.
- The Office absorption checked in at a positive 377,431 square feet for the second quarter of 2003. This is down from the last quarter's figure of 383,664.

OFFICE MARKET STATISTICS

	2Q2003	1Q2003	2Q2002	% CHANGE VS. 2002
Under Construction	1,404,927	724,161	1,341,335	4.74%
Planned Construction	4,604,425	10,164,067	9,654,269	-52.31%
Vacancy	9.83%	11.05%	10.00%	-1.70%
Availability	14.02%	12.46%	12.47%	12.43%
Pricing - Full Service Gross	\$2.07	\$2.07	\$2.20	-5.91%
Net Absorption	377,431	383,664	673,588	-43.97%

Compared to
last quarter:

Vacancy



Absorption



Lease Rates



Construction



San Diego County

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Vice President

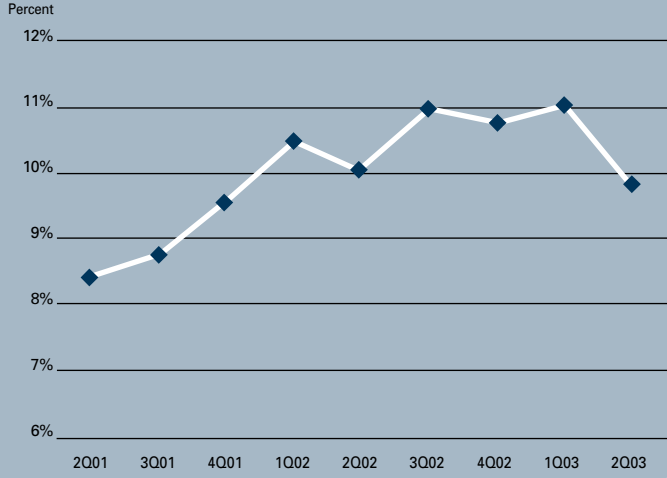
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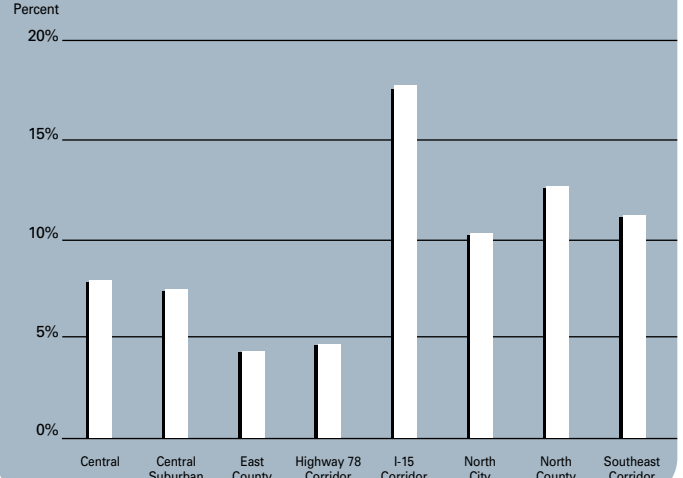
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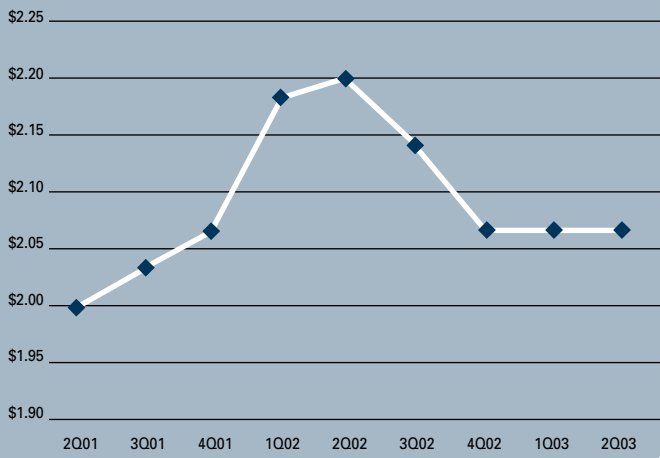
VACANCY RATE



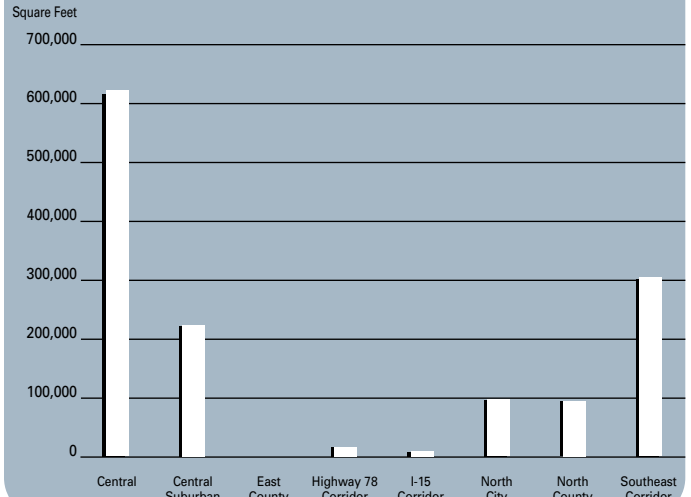
VACANCY RATE BY SUBMARKET



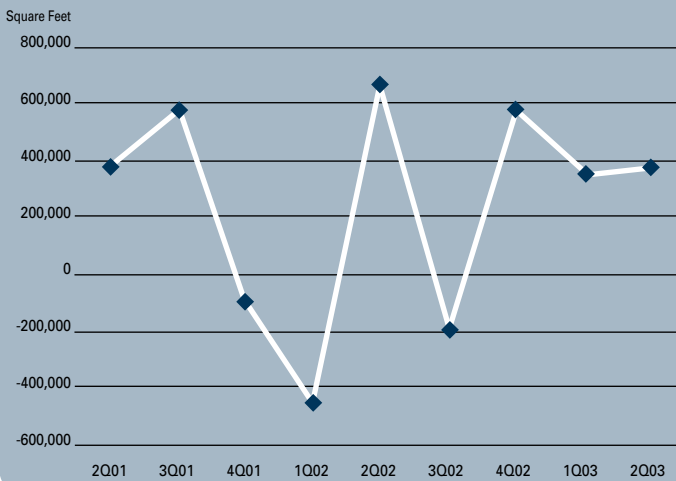
AVERAGE ASKING FULL SERVICE GROSS LEASE RATE



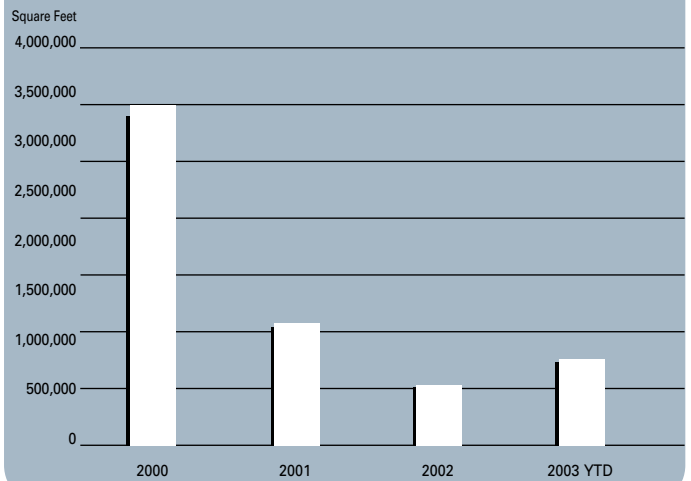
CONSTRUCTION ACTIVITY



QUARTERLY NET ABSORPTION



ANNUAL NET ABSORPTION



INVENTORY

VACANCY & ABSORPTION

	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2003	Vacancy with Sublet 2Q2003	Average Asking Lease Rate	Net Absorption 2Q2003	Net Absorption 2003
Central										
Downtown	166	11,389,591	630,000	1,451,470	986,065	8.66%	1,345,244	\$1.95	(15,695)	(109,081)
Uptown	172	2,218,971	0	0	83,994	3.79%	143,325	\$1.61	(36,805)	(130,191)
Central Total	338	13,608,562	630,000	1,451,470	1,070,059	7.86%	1,488,569	\$1.94	-52,500	-239,272
Central Suburban										
College/Sports Area	70	1,396,200	0	0	52,569	3.77%	61,569	\$0.00	(154,351)	(146,434)
Kearny Mesa	241	7,978,848	25,000	411,495	717,420	8.99%	1,071,528	\$1.91	3,564	10,464
Mission Gorge	21	367,395	0	0	13,309	3.62%	15,841	\$1.50	57,266	117,051
Mission Valley	128	6,721,579	58,222	158,000	425,681	6.33%	683,828	\$2.12	300,066	311,375
Old Town	33	591,561	0	0	21,189	3.58%	27,555	\$1.75	0	56,466
Pacific Beach	11	219,433	0	0	11,168	5.09%	11,168	\$0.00	5,343	12,032
Point Loma	17	154,243	152,186	38,727	3,850	2.50%	3,850	\$0.00	(3,850)	(4,196)
Rose Canyon/Morena	44	755,818	0	0	53,689	7.10%	61,161	\$0.00	2,358	2,761
Central Suburban Total	565	18,185,077	235,408	608,222	1,298,875	7.14%	1,936,500	\$1.97	210,396	359,519
East County										
El Cajon	80	1,110,654	0	0	49,088	4.42%	70,305	\$0.00	5,473	25,258
La Mesa	130	1,866,262	0	0	61,624	3.30%	75,009	\$0.00	656	0
Lemon Grove	19	148,660	0	0	9,248	6.22%	11,748	\$0.00	0	0
Santee/Lakeside	34	214,498	0	0	25,631	11.95%	53,354	\$0.00	14,518	14,518
Spring Valley	20	111,373	0	0	0	0.00%	16,000	\$0.00	0	0
East County Total	283	3,451,447	0	0	145,591	4.22%	226,416	\$0.00	20,647	39,776
Highway 78 Corridor										
Oceanside	48	806,282	22,766	0	34,100	4.23%	45,238	\$1.40	6,137	14,186
San Marcos/Vista	133	2,038,496	0	211,200	97,012	4.76%	108,565	\$0.00	75,423	89,598
Highway 78 Corridor Total	181	2,844,778	22,766	211,200	131,112	4.61%	153,803	\$1.52	81,560	103,784
I-15 Corridor										
Escondido	200	2,532,640	13,704	27,239	403,799	15.94%	431,327	\$1.60	7,390	9,059
Rancho Bernardo/Poway	104	3,613,126	0	47,357	359,126	9.94%	577,359	\$2.11	(7,987)	4,510
Scripps Ranch	56	2,705,303	0	276,000	814,642	30.11%	858,641	\$2.28	88,264	148,747
I-15 Corridor Total	360	8,851,069	13,704	350,596	1,577,567	17.82%	1,867,327	\$1.98	87,667	162,316
North City										
Del Mar Heights	58	3,316,955	100,000	1,396,749	305,321	9.20%	530,710	\$0.00	9,712	56,779
Governor Park	21	1,030,359	0	0	53,140	5.16%	82,918	\$0.00	(1,175)	(31,140)
La Jolla	84	1,393,105	0	0	108,778	7.81%	180,359	\$2.84	(7,728)	(21,785)
Miramar	57	1,671,114	0	0	194,240	11.62%	242,915	\$0.00	46,934	60,383
Sorrento Mesa	93	4,893,008	0	0	746,307	15.25%	1,148,184	\$2.30	(21,114)	(4,806)
Torrey Pines/Sorrento Valley	67	3,507,288	0	97,692	286,669	8.17%	547,956	\$1.75	(249,647)	(249,187)
UTC Center	70	6,376,624	0	150,000	672,724	10.55%	1,233,428	\$2.37	68,563	160,895
North City Total	450	22,188,453	100,000	1,644,441	2,367,179	10.67%	3,966,470	\$2.35	(154,455)	(28,861)
North County										
Carlsbad	125	3,954,333	32,196	302,496	612,437	15.49%	769,022	\$1.71	165,784	385,361
North Beach Cities	101	1,729,496	66,853	11,000	105,187	6.08%	149,833	\$2.25	9,271	24,405
North County Total	226	5,683,829	99,049	313,496	717,624	12.63%	918,855	\$1.77	175,055	409,766
South/Southeast Corridor										
East County	51	2,105,275	0	0	82,461	3.92%	82,711	\$0.00	6,881	(26,614)
South San Diego	32	697,609	304,000	25,000	238,533	34.19%	241,215	\$1.00	2,180	20,457
South/Southeast Total	83	2,802,884	304,000	25,000	320,994	11.45%	323,926	\$1.00	9,061	(6,157)
Class A	307	27,913,766	1,079,416	3,903,114	3,729,123	13.36%	5,456,518	\$2.28	(78,544)	110,216
Class B	757	29,107,588	325,511	676,772	2,961,464	10.17%	3,886,333	\$1.87	233,116	475,820
Class C	1,422	20,594,745	0	24,539	938,414	4.56%	1,539,015	\$1.60	222,859	289,092
San Diego County Total	2,486	77,616,099	1,404,927	4,604,425	7,629,001	9.83%	10,881,866	\$2.07	377,431	761,095

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

**OFFICE
MARKET
Report**

2ND QUARTER 2003

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/Lakeside
- Spring Valley

HIGHWAY 78 CORRIDOR

- Oceanside
- San Marcos/Vista

I-15 CORRIDOR

- Escondido
- Rancho Bernardo/Poway
- Scrapps Ranch

NORTH CITY

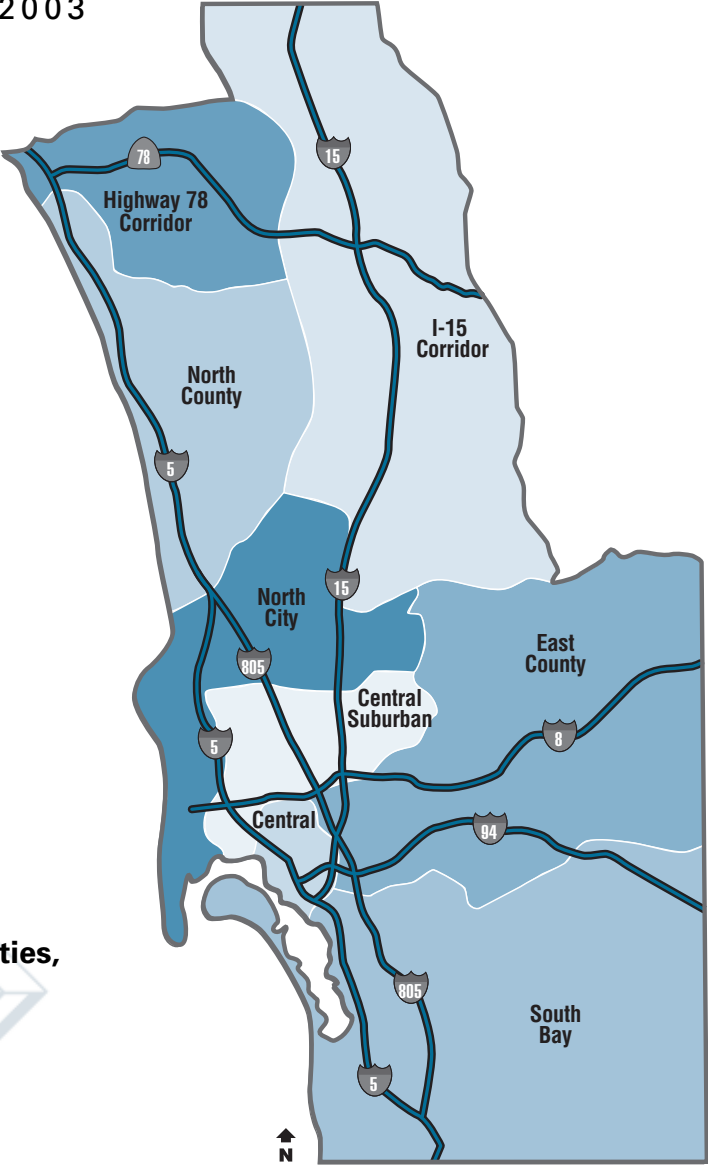
- Del Mar Heights
- Governor Park
- La Jolla
- Miramar
- Sorrento Mesa
- Torrey Pines/Sorrento Valley
- UTC Center

NORTH COUNTY

- Carlsbad
- North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

- East County
- South San Diego



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Real People. Real Solutions.

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