

OFFICE MARKET REPORT

SECOND
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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



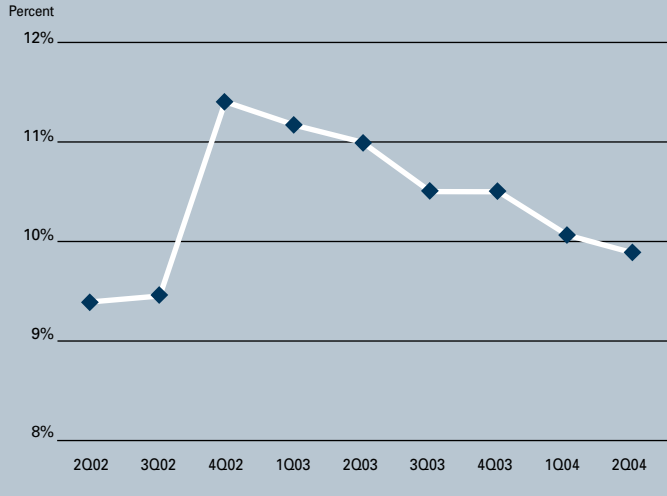
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2004 in San Diego County is 4.1%, which is the same as it was during the first quarter of 2004 as well as what we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 11,000 new non-farm jobs in 2003, and they are forecasting 21,700 new jobs in 2004. They are also forecasting a 2.6% increase in total personal income for 2004, the second highest level in greater Southern California.
- ◆ Currently there is 1,944,863 square feet of Office construction underway, and total construction is higher than the 1,404,927 square feet that was under construction at this same time last year. This is an increase of 38.43%.
- ◆ Planned Office construction in San Diego County is up by almost 50% compared to last year. Currently there is 6,831,336 square feet of Office space on the slate as being planned, compared to last year's figure of 4,604,425 square feet.
- ◆ The Office vacancy rate is at 9.91%, which is down from the 10.11% rate we saw during the first quarter of 2004. This lack of supply and a stronger economy should put pressure on the average asking lease rate this year.
- ◆ The average asking full service lease rate checked in at \$2.28 a square foot per month this quarter. This is three cents higher than last quarter and 2.24% higher than what was reported in the second quarter of 2003.
- ◆ Rental rates are expected to remain somewhat flat with the possibility of growth during the second half of 2004 as the economy improves.
- ◆ The Office absorption checked in at a positive 483,110 square feet for the second quarter of 2004, giving the San Diego Office Market a total of 1.2 million square feet of positive absorption for the first half of 2004.

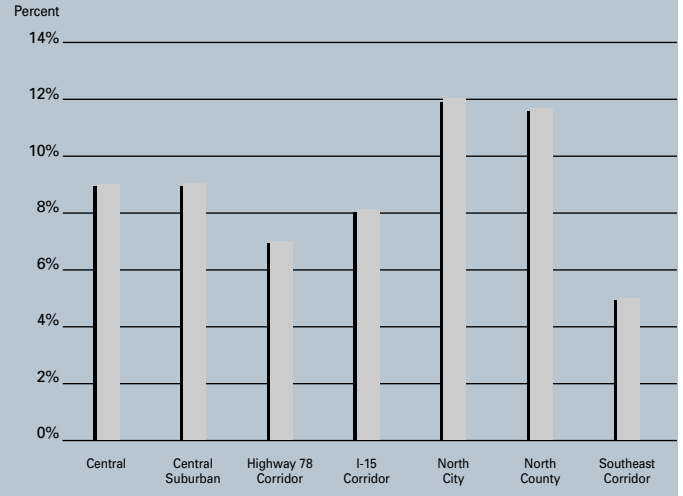
OFFICE MARKET STATISTICS

	2Q2004	1Q2004	2Q2003	% CHANGE VS. 2003
Under Construction	1,944,863	2,375,012	1,404,927	38.43%
Planned Construction	6,831,336	5,553,749	4,604,425	48.36%
Vacancy	9.91%	10.11%	11.02%	-10.07%
Availability	14.09%	14.27%	15.98%	-11.83%
Pricing - Full Service Gross	\$2.28	\$2.25	\$2.23	2.24%
Net Absorption	483,110	706,861	395,309	22.21%

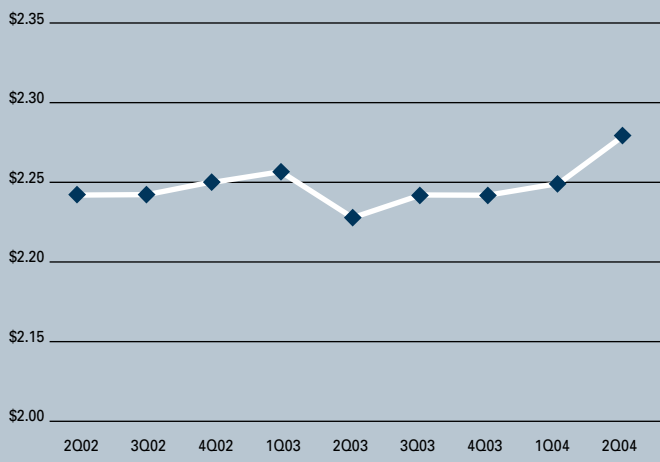
VACANCY RATE



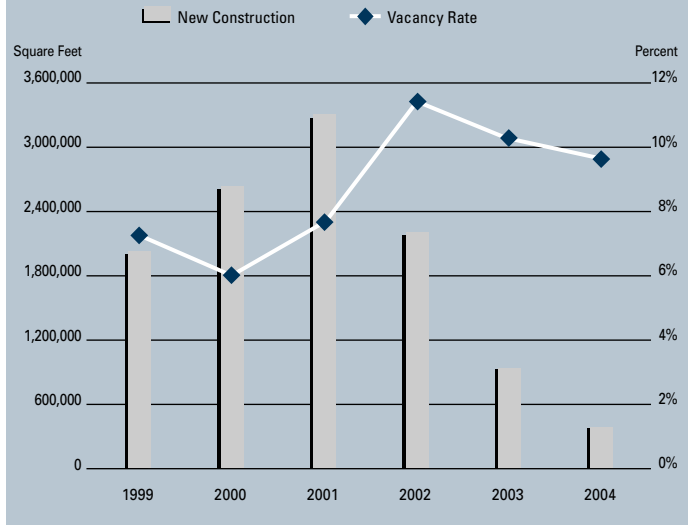
VACANCY RATE BY SUBMARKET



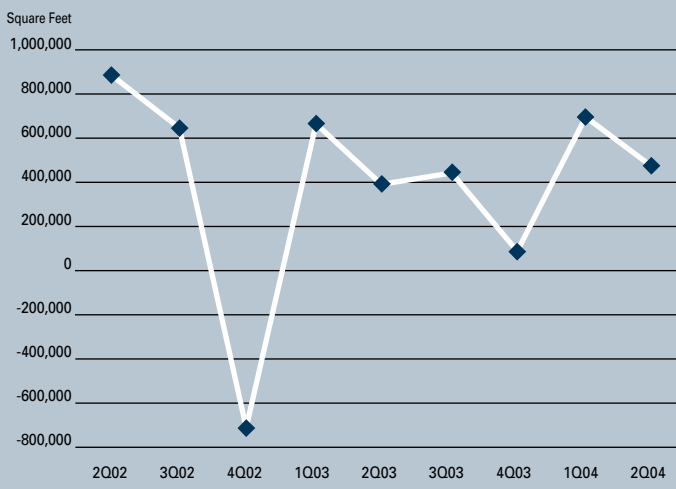
AVERAGE ASKING FULL SERVICE LEASE RATE



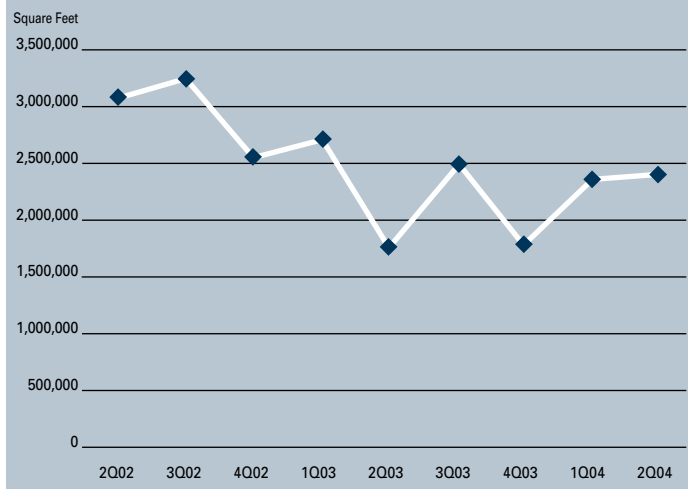
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2004	Total Availability 2Q2004	Average Asking Lease Rate	Net Absorption 2Q2004	Net Absorption 2004
Central										
Downtown	134	11,056,012	372,677	822,816	1,027,814	9.30%	1,343,864	\$2.20	113,275	221,128
Central Total	134	11,056,012	372,677	822,816	1,027,814	9.30%	1,343,864	\$2.20	113,275	221,128
Central Suburban										
City Heights/University	34	762,101	0	0	67,450	8.85%	72,216	\$1.68	68,790	75,762
Kearny Mesa	206	7,908,688	233,400	1,290,900	842,565	10.65%	1,009,201	\$1.70	25,257	150,690
Mission Gorge	51	1,301,547	0	0	65,503	5.03%	68,328	\$1.50	(33,764)	(40,059)
Mission Valley	121	6,358,820	208,414	91,098	638,998	10.05%	888,837	\$2.26	(53,370)	(37,361)
Old Town	28	650,960	0	0	56,278	8.65%	61,581	\$1.81	1,563	660
Point Loma	45	1,122,493	0	0	75,483	6.72%	79,573	\$0.00	40,297	46,496
Rose Canyon/Morena	47	1,007,149	0	278,512	68,820	6.83%	88,336	\$1.75	(23,338)	(32,908)
Uptown/Hillcrest	75	1,947,400	0	0	140,243	7.20%	160,847	\$1.71	(24,139)	(46,530)
Central Suburban Total	607	21,059,158	441,814	1,660,510	1,955,340	9.28%	2,428,919	\$2.04	1,296	116,750
Highway 78 Corridor										
Oceanside	28	549,916	14,850	0	69,207	12.59%	69,371	\$1.65	(16,984)	(32,905)
San Marcos/Vista	74	1,905,164	0	133,514	105,674	5.55%	226,536	\$1.45	20,877	(14,148)
Highway 78 Corridor Total	102	2,455,080	14,850	133,514	174,881	7.12%	295,907	\$1.54	3,893	(47,053)
I-15 Corridor										
Escondido	55	1,091,425	52,959	138,000	96,621	8.85%	106,279	\$1.83	(7,600)	(15,509)
Rancho Bernardo/Poway	103	5,232,709	0	0	379,162	7.25%	495,904	\$2.39	56,505	202,750
Scripps Ranch	39	1,461,136	0	680,500	163,560	11.19%	258,067	\$2.07	39,208	97,222
I-15 Corridor Total	197	7,785,270	52,959	818,500	639,343	8.21%	860,250	\$2.07	88,113	284,463
North City										
Del Mar Heights	57	3,627,437	466,142	660,000	428,113	11.80%	699,626	\$0.00	(37,015)	61,482
Governor Park	19	858,350	0	0	104,905	12.22%	142,283	\$0.00	(4,155)	(11,753)
La Jolla	52	1,519,993	0	0	209,949	13.81%	221,078	\$3.25	38,389	(21,364)
Miramar	30	1,043,445	0	0	210,675	20.19%	243,772	\$0.00	(12,558)	(59,541)
N University City - UTC Center	86	7,313,433	275,703	769,797	594,961	8.14%	1,264,924	\$2.81	47,476	99,503
Sorrento Mesa	109	6,103,442	0	1,052,932	925,926	15.17%	1,351,828	\$2.22	144,247	207,466
Torrey Pines/Sorrento Valley	56	3,150,809	0	118,954	378,036	12.00%	688,139	\$2.88	(43,266)	(2,270)
North City Total	409	23,616,909	741,845	2,601,683	2,852,565	12.08%	4,611,650	\$2.67	133,118	273,523
North County										
Carlsbad	107	4,131,514	49,000	441,315	603,143	14.60%	752,727	\$0.00	55,752	125,392
North Beach Cities	84	1,844,238	142,516	34,460	90,957	4.93%	105,345	\$2.60	64,077	113,270
North County Total	191	5,975,752	191,516	475,775	694,100	11.62%	858,072	\$2.60	119,829	238,662
South/Southeast Corridor										
East County	94	2,024,952	129,202	318,538	91,659	4.53%	105,580	\$0.99	15,570	38,067
South San Diego	83	2,459,812	0	0	136,154	5.54%	263,520	\$1.65	8,016	75,188
South/Southeast Total	177	4,484,764	129,202	318,538	227,813	5.08%	369,100	\$1.10	23,586	113,255
Class A	180	21,271,309	1,429,434	6,065,806	2,513,502	11.82%	3,562,456	\$2.57	155,615	468,716
Class B	879	37,889,663	515,429	3,040,193	3,872,945	10.22%	5,755,039	\$2.10	299,243	733,559
Class C	758	17,271,973	0	0	1,185,409	6.86%	1,450,267	\$1.57	28,252	(1,547)
San Diego County Total	1,817	76,432,945	1,944,863	6,831,336	7,571,856	9.91%	10,767,762	\$2.28	483,110	1,200,728

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

OFFICE MARKET REPORT

SECOND QUARTER 2004

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

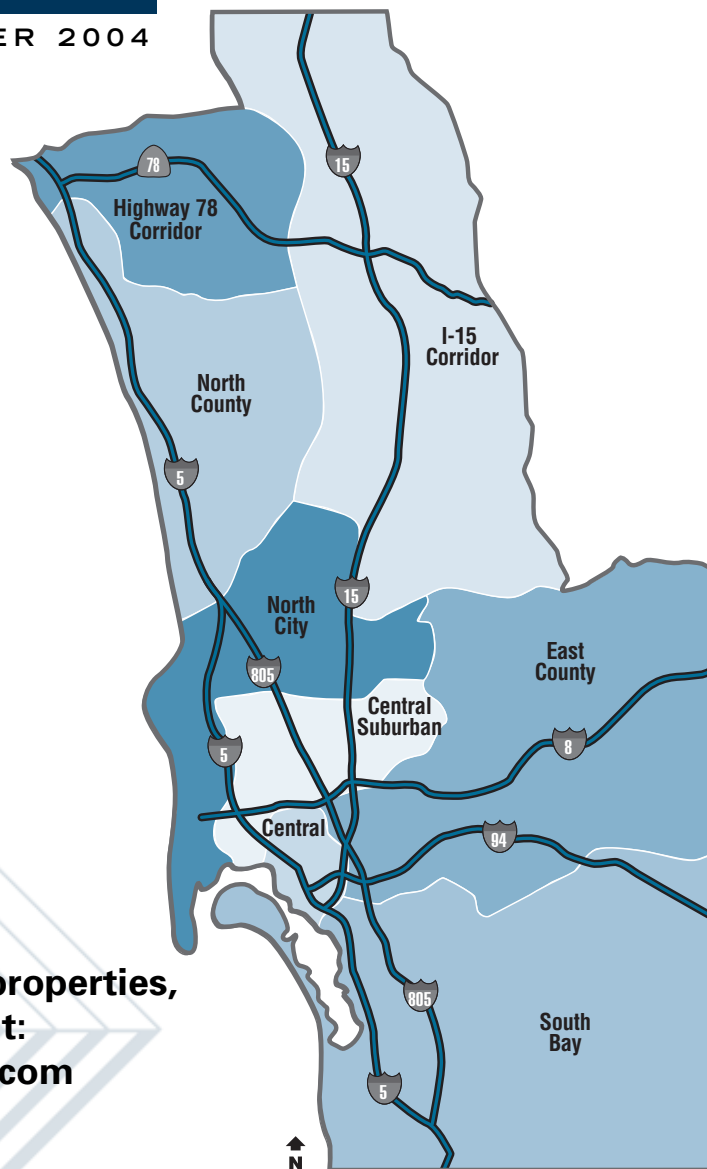
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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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



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