

# OFFICE MARKET REPORT

SECOND  
QUARTER  
2005

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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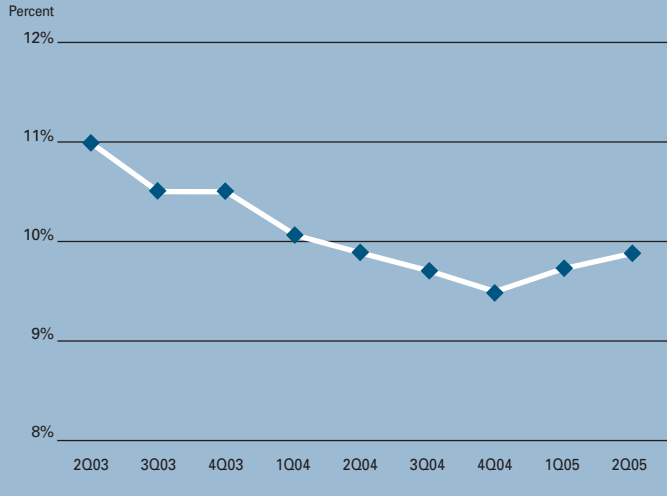
## MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2005 in San Diego County is 3.8%, which is a decrease of 0.8% since the first quarter of 2005 and down from the 4.6% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 3,796,555 square feet of Office construction underway, and total construction is higher than the 1,944,863 square feet that was under construction at this same time last year. This is almost double the amount of space that was under construction a year ago.
- ◆ Planned Office construction in San Diego County is up over 40% compared to last year. Currently there is 9,653,292 square feet of Office space on the slate as being planned, compared to last year's figure of 6,831,336 square feet.
- ◆ The Office vacancy rate is at 9.90%, which is up from the 9.65% rate we saw during the first quarter of 2005.
- ◆ The average asking full service lease rate checked in at \$2.48 a square foot per month this quarter. This is a new record high, three cents higher than last quarter and 8.77% higher than what was reported in the second quarter of 2004.
- ◆ The Office absorption checked in at a positive 777,411 square feet for the second quarter of 2005, giving the San Diego Office Market a total of 875,521 square feet of positive absorption for 2005.
- ◆ 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 7% to 10% in 2005.

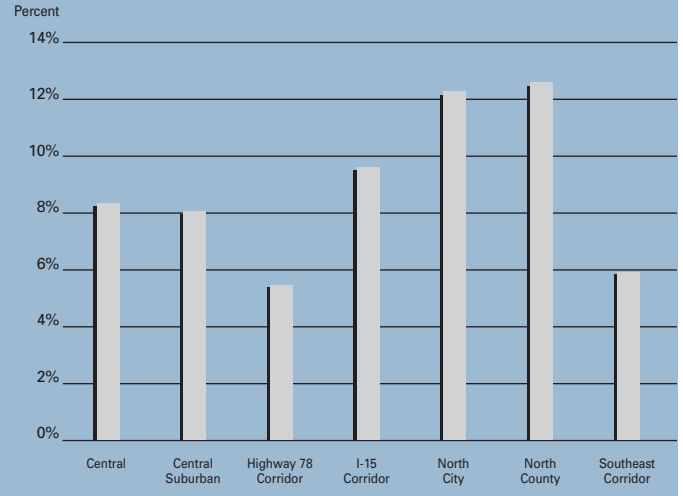
## OFFICE MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	3,796,555	2,651,339	1,944,863	95.21%
Planned Construction	9,653,292	9,950,825	6,831,336	41.31%
Vacancy	9.90%	9.65%	9.91%	-0.10%
Availability	12.03%	12.82%	14.09%	-14.62%
Pricing - Full Service Gross	\$2.48	\$2.45	\$2.28	8.77%
Net Absorption	777,411	98,110	483,110	60.92%

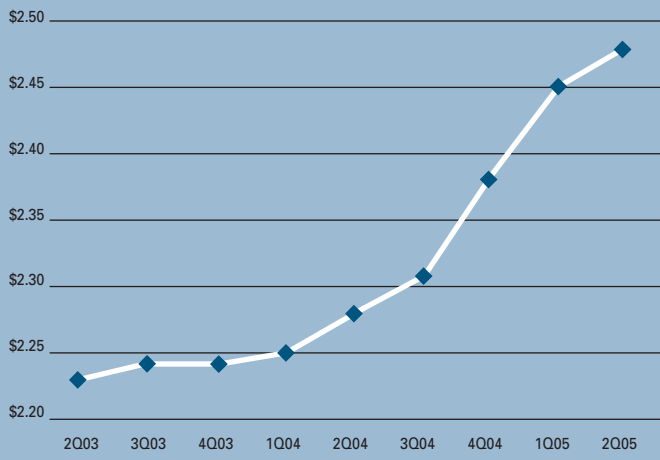
## VACANCY RATE



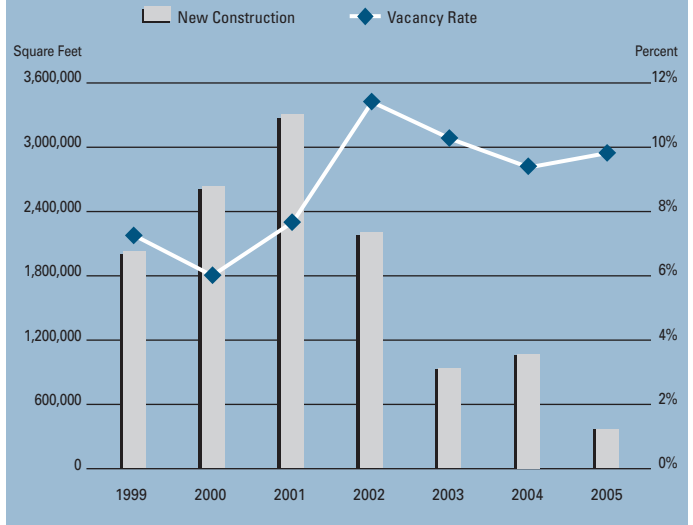
## VACANCY RATE BY SUBMARKET



## AVERAGE ASKING FULL SERVICE LEASE RATE



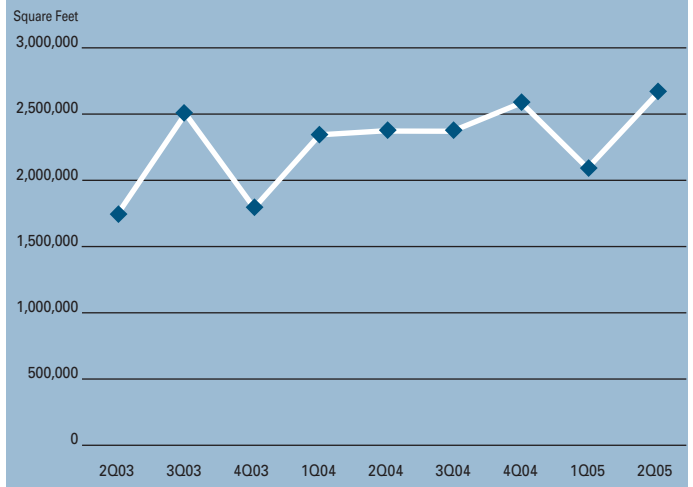
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



# SECOND QUARTER 2005

## 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 2Q2005	Total Availability 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005
<b>Central</b>										
Downtown	135	11,063,484	796,645	0	952,121	8.61%	1,396,337	\$2.44	130,300	133,653
<b>Central Total</b>	<b>135</b>	<b>11,063,484</b>	<b>796,645</b>	<b>0</b>	<b>952,121</b>	<b>8.61%</b>	<b>1,396,337</b>	<b>\$2.44</b>	<b>130,300</b>	<b>133,653</b>
<b>Central Suburban</b>										
City Heights/University	36	800,897	0	78,696	57,972	7.24%	89,692	\$1.65	9,307	1,190
Kearny Mesa	207	8,044,363	233,430	1,287,780	603,419	7.50%	735,629	\$1.71	143,858	127,160
Mission Gorge	50	1,214,153	0	0	87,771	7.23%	115,891	\$1.35	(24,409)	(25,706)
Mission Valley	125	6,564,817	152,834	88,000	754,665	11.50%	871,762	\$2.28	12,133	136,168
Old Town	29	694,329	0	0	37,529	5.41%	63,340	\$1.73	(64)	8,341
Point Loma	48	1,250,731	53,135	186,650	64,194	5.13%	65,479	\$1.31	66,225	65,351
Rose Canyon/Morena	45	980,034	0	0	48,838	4.98%	50,766	\$0.00	5,674	45,043
Uptown/Hillcrest	76	1,949,990	0	0	104,019	5.33%	111,832	\$1.61	6,833	3,839
<b>Central Suburban Total</b>	<b>616</b>	<b>21,499,314</b>	<b>439,399</b>	<b>1,641,126</b>	<b>1,758,407</b>	<b>8.18%</b>	<b>2,104,391</b>	<b>\$2.09</b>	<b>219,557</b>	<b>361,386</b>
<b>Highway 78 Corridor</b>										
Oceanside	30	572,636	0	186,000	56,796	9.92%	66,951	\$1.75	12,448	5,559
San Marcos/Vista	75	1,926,527	63,478	494,836	125,994	6.54%	197,589	\$1.64	(15,455)	(502)
<b>Highway 78 Corridor Total</b>	<b>105</b>	<b>2,499,163</b>	<b>63,478</b>	<b>680,836</b>	<b>182,790</b>	<b>7.31%</b>	<b>264,540</b>	<b>\$1.69</b>	<b>(3,007)</b>	<b>5,057</b>
<b>I-15 Corridor</b>										
Escondido	56	1,127,549	0	80,000	78,269	6.94%	101,862	\$2.29	14,737	38,389
Rancho Bernardo/Poway	105	5,293,478	322,160	1,818,048	482,121	9.11%	568,673	\$2.30	(75,807)	(103,782)
Scripps Ranch	38	1,419,124	60,000	615,000	185,033	13.04%	153,833	\$2.16	(12,003)	(35,364)
<b>I-15 Corridor Total</b>	<b>199</b>	<b>7,840,151</b>	<b>382,160</b>	<b>2,513,048</b>	<b>745,423</b>	<b>9.51%</b>	<b>824,368</b>	<b>\$2.25</b>	<b>(73,073)</b>	<b>(100,757)</b>
<b>North City</b>										
Del Mar Heights	58	3,786,833	444,401	1,036,363	296,388	7.83%	407,967	\$0.00	175,820	159,067
Governor Park	19	857,999	0	0	108,516	12.65%	116,492	\$0.00	2,759	(2,673)
La Jolla	50	1,464,824	0	0	155,309	10.60%	175,209	\$3.25	32,673	4,486
Miramar	35	1,150,141	0	0	226,495	19.69%	254,654	\$1.52	6,976	(7,900)
N University City - UTC Center	86	7,136,434	0	650,657	846,156	11.86%	1,011,825	\$3.01	28,736	109,244
Sorrento Mesa	113	7,117,437	1,135,000	1,618,998	995,378	13.99%	1,122,308	\$2.56	(26,920)	(75,672)
Torrey Pines/Sorrento Valley	57	3,436,870	0	53,839	458,952	13.35%	458,952	\$3.01	102,242	112,930
<b>North City Total</b>	<b>418</b>	<b>24,950,538</b>	<b>1,579,401</b>	<b>3,359,857</b>	<b>3,087,194</b>	<b>12.37%</b>	<b>3,547,407</b>	<b>\$2.88</b>	<b>322,286</b>	<b>299,482</b>
<b>North County</b>										
Carlsbad	111	4,089,650	181,812	1,115,979	626,143	15.31%	725,343	\$0.00	61,206	121,801
North Beach Cities	93	2,137,265	57,460	11,400	163,136	7.63%	167,370	\$2.61	18,559	26,627
<b>North County Total</b>	<b>204</b>	<b>6,226,915</b>	<b>239,272</b>	<b>1,127,379</b>	<b>789,279</b>	<b>12.68%</b>	<b>892,713</b>	<b>\$2.61</b>	<b>79,765</b>	<b>148,428</b>
<b>South/Southeast Corridor</b>										
East County	97	2,112,055	43,000	12,560	98,289	4.65%	133,983	\$1.18	(4,947)	14,923
South San Diego	86	2,534,305	253,200	318,486	178,412	7.04%	306,505	\$0.00	106,530	13,349
<b>South/Southeast Total</b>	<b>183</b>	<b>4,646,360</b>	<b>296,200</b>	<b>331,046</b>	<b>276,701</b>	<b>5.96%</b>	<b>440,488</b>	<b>\$1.18</b>	<b>101,583</b>	<b>28,272</b>
Class A	180	21,660,542	3,067,831	6,638,266	2,399,337	11.08%	3,013,932	\$2.73	334,281	367,915
Class B	916	39,802,934	728,724	2,982,026	4,108,607	10.32%	4,948,908	\$2.27	389,416	481,081
Class C	764	17,262,449	0	33,000	1,283,971	7.44%	1,507,404	\$1.75	53,714	26,525
<b>San Diego County Total</b>	<b>1,860</b>	<b>78,725,925</b>	<b>3,796,555</b>	<b>9,653,292</b>	<b>7,791,915</b>	<b>9.90%</b>	<b>9,470,244</b>	<b>\$2.48</b>	<b>777,411</b>	<b>875,521</b>

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 2005

**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**

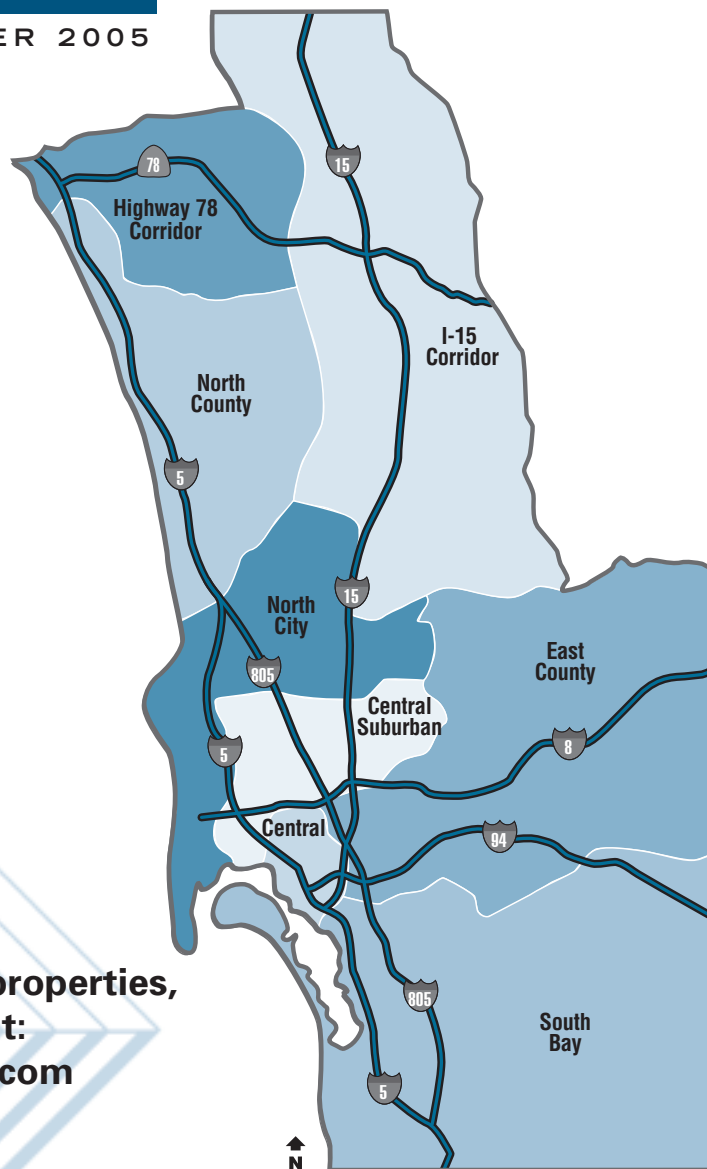
Del Mar Heights  
Governor Park  
La Jolla  
Miramar  
N University City - UTC Center  
Sorrento Mesa  
Torrey Pines/Sorrento Valley

**NORTH COUNTY**

Carlsbad  
North Beach Cities

**SOUTH/SOUTHEAST CORRIDOR**

East County  
South San Diego



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