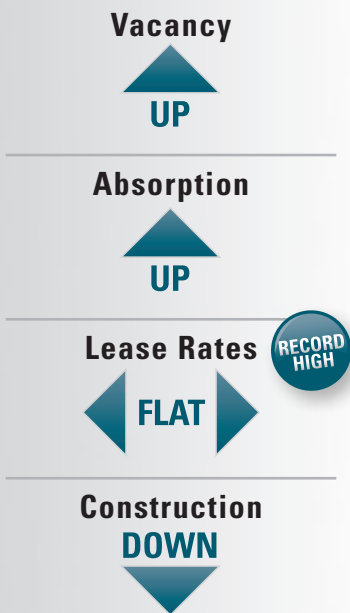




Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:



Office Market Highlights

- ◆ The San Diego County office market is undergoing changes due to reaction to the mortgage/housing industry, the completion of new supply and the general slow down of the US economic environment. With vacancy rates increasing due to the completion of just over 1.1 million square feet of new office construction in the first half of 2008, along with another 2.5 million scheduled to be completed in the next three quarters, some challenges exist. 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 industries such as biotechnology, high technology and healthcare should continue to diversify the local economy and help to support further growth in 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 \$2.76, which is a 2.6% increase over last year's first quarter rate of \$2.69, and is the same as last quarter's record high rate. Class A rates for the county are averaging \$3.10 FSG, and are the highest in the North County submarket at \$3.76 FSG.
- ◆ The office vacancy rate (for direct and sublease space) finished the quarter at 13.35%, constituting a 15.38% increase over last year's second quarter rate of 11.57%. This increase is a result of the new construction coupled with a slowing economy, as financial markets correct.
- ◆ Net absorption for the county posted a positive number of 203,560 square feet for the second quarter of 2008. Last year San Diego County had a total of 1,741,792 square feet of positive absorption. The slowdown in absorption can be attributed to the credit crunch and finance companies consolidating.
- ◆ Currently there is 2.55 million square feet of Office construction underway, and total construction is lower than it was a year ago when 4.125 million square feet was under construction. This is a decrease of over 38% when compared to last year, a positive sign.
- ◆ Planned Office construction in San Diego County is down compared to last year. Currently there is 10.4 million square feet of Office space on the slate as being planned, compared to last year's figure of 10.8 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County added 3,200 payroll jobs over the last twelve months. Between April 2008 and May 2008 San Diego County gained 3,100 jobs, mostly in the leisure & hospitality and government sectors.
- ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 nonfarm jobs with a 4.1% increase in total personal income in 2008, and they are forecasting 19,800 new jobs for 2009.
- ◆ The unemployment rate in San Diego County was 5.5% in May 2008, up from the revised 5.1% percent in April 2008, but above the year ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.2 percent for the nation during the same period.
- ◆ Rental rates are expected to continue to increase at moderate levels in the immediate future. Concessions should begin to increase in the short run in the forms of limited free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from construction deliveries. We should see annual lease rate growth of at least 1% to 3% continuing through 2008.

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

OFFICE MARKET OVERVIEW

	2Q2008	1Q2008	2Q2007	% CHANGE VS. 2Q07
Under Construction	2,553,417	3,153,697	4,125,679	-38.11%
Planned Construction	10,396,429	10,314,000	10,755,212	-3.34%
Vacancy	13.35%	12.81%	11.57%	15.38%
Availability	17.73%	16.85%	14.75%	20.20%
Pricing - Full Service Gross	\$2.76	\$2.76	\$2.69	2.60%
Net Absorption	203,560	-191,333	576,679	N/A

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RECENT TRANSACTIONS

Sales Activity

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
9333 Genesee Ave. - 2 Properties	UTC	B	155,958	\$56,000,000	Janez Group	Arden Realty
8899 University Center Lane	UTC	A	96,490	\$42,000,000	Falcon Real Estate	Alecta Real Estate Investment LLC
Crossroads Office Park	Mission Valley	B	139,727	\$34,200,000	Behringer Harvard REIT	Arden Realty
9246 Lightwave Ave. - 2 Properties	Kearny Mesa	A	132,000	\$30,500,000	San Diego Spectrum Office LP	Fowler Property

Lease Activity

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
Kilroy Sabre Springs	Rancho Bernardo	A	147,533	April-08	Bridgepoint Education	Kilroy Realty Corporation
7380 Parkway Drive	La Mesa	C	67,400	June-08	Church of Scientology	Church of Scientology
12121 Scripps Summit Drive	Rancho Bernardo	A	36,583	June-08	Carl Zeiss	Transwestern Northridge
9276 Scranton Road	Sorrento Mesa	A	36,387	May-08	The Neilsen Company	Trizec Sorrento Towers, LLC

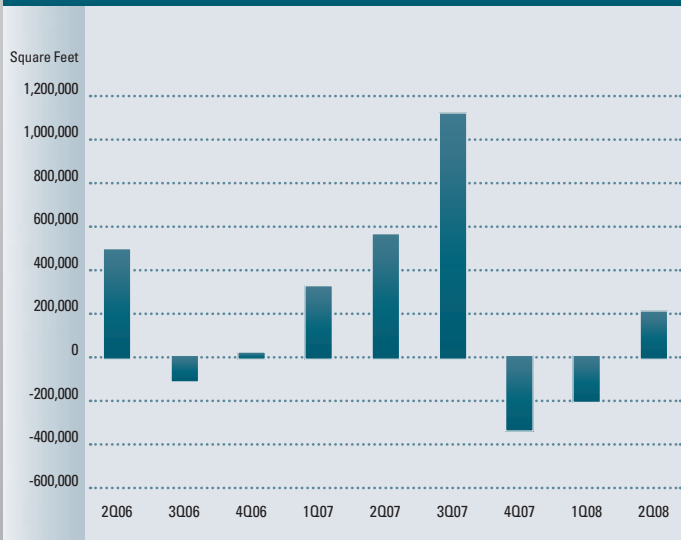
VACANCY RATE



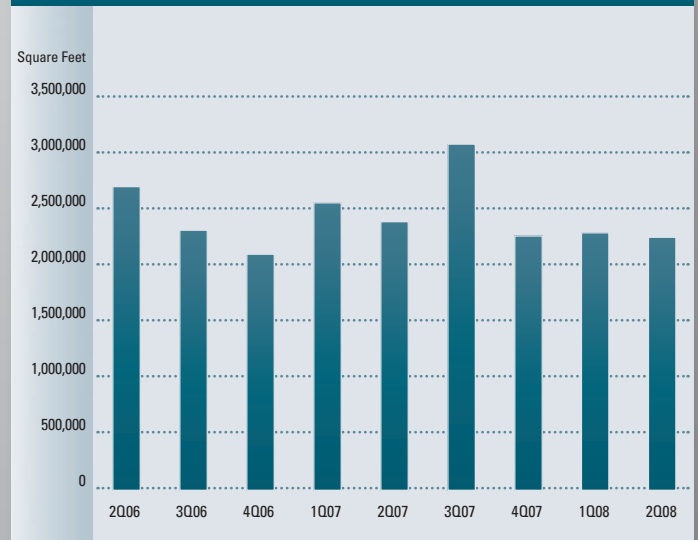
AVERAGE ASKING FULL SERVICE LEASE RATE



NET ABSORPTION



GROSS ABSORPTION



	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2008	Total Availability 2Q2008	Average Asking Lease Rate	Net Absorption 2Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
Central												
Downtown	129	12,021,989	0	725,358	1,572,170	13.08%	2,275,202	\$2.77	67,330	105,386	111,439	59,319
Central Total	129	12,021,989	0	725,358	1,572,170	13.08%	2,275,202	\$2.77	67,330	105,386	111,439	59,319
Central Suburban												
City Heights/University	47	1,179,037	18,426	78,696	107,991	9.16%	126,566	\$2.24	20,622	(1,017)	9,311	(24,943)
Kearny Mesa	227	9,387,907	529,435	750,000	1,126,985	12.00%	1,323,361	\$1.92	87,671	102,513	6,284	197,814
Mission Gorge	57	1,474,487	0	0	120,075	8.14%	116,417	\$1.42	(9,461)	(19,688)	(10,891)	(18,571)
Mission Valley	123	6,646,882	0	55,000	1,067,656	16.06%	1,350,697	\$2.58	(32,722)	(127,055)	(66,659)	(70,321)
Old Town	37	979,964	0	0	51,087	5.21%	84,006	\$2.22	(5,445)	(2,546)	1,670	6,046
Point Loma	59	1,683,182	104,397	0	106,904	6.35%	121,716	\$1.75	11,799	5,562	19,361	36,338
Rose Canyon/Morena	53	1,144,190	14,000	0	35,081	3.07%	93,932	\$2.10	28,223	41,632	(6,432)	(21,149)
Uptown/Hillcrest	76	1,896,287	0	0	104,402	5.51%	156,651	\$2.13	18,328	(14,066)	10,060	(35,800)
Central Suburban Total	679	24,391,936	666,258	883,696	2,720,181	11.15%	3,373,346	\$2.38	119,015	(14,665)	(37,296)	69,414
Highway 78 Corridor												
Oceanside	44	858,260	12,000	549,318	161,450	18.81%	177,785	\$0.00	70,764	95,261	430	(3,171)
San Marcos/Vista	86	2,339,313	93,810	1,163,157	366,269	15.66%	398,822	\$1.69	(41,202)	(28,118)	(31,972)	198,686
Highway 78 Corridor Total	130	3,197,573	105,810	1,712,475	527,719	16.50%	576,607	\$1.69	29,562	67,143	(31,542)	195,515
I-15 Corridor												
Escondido	75	1,539,035	0	43,107	253,597	16.48%	282,478	\$2.10	(2,561)	(9,003)	26,490	(1,138)
Poway	32	1,395,164	0	364,570	39,864	2.86%	68,108	\$2.25	34,488	48,364	171,492	23,466
Rancho Bernardo	106	6,488,324	902,734	747,673	958,773	14.78%	1,489,375	\$2.67	295,795	473,158	385,614	(33,005)
Scripps Ranch	40	1,549,469	264,880	794,000	319,122	20.60%	337,737	\$2.46	(28,105)	(23,055)	78,008	(129,315)
I-15 Corridor Total	253	10,971,992	1,167,614	1,949,350	1,571,356	14.32%	2,177,698	\$2.43	299,617	489,464	661,604	(139,992)
North City												
Del Mar Heights	68	4,506,478	0	93,332	686,415	15.23%	958,203	\$0.00	(80,434)	(73,522)	214,639	(44,591)
Governor Park	19	859,736	0	0	332,051	38.62%	494,972	\$2.70	(33,062)	(50,603)	(183,563)	6,876
La Jolla	55	1,647,441	0	0	65,094	3.95%	92,103	\$3.53	(2,994)	21,278	(3,604)	61,492
Miramar	33	1,552,420	0	40,000	225,845	14.55%	254,198	\$0.00	(70,587)	(46,622)	(23,973)	7,252
N University City - UTC Center	125	9,239,183	54,000	2,018,649	1,364,814	13.67%	1,909,541	\$2.60	(34,674)	(122,373)	417,344	530,633
Sorrento Mesa	57	3,787,174	0	53,839	436,314	12.72%	442,104	\$3.72	1,003	(21,977)	(324,574)	124,506
Torrey Pines/Sorrento Valley	88	7,301,077	300,664	689,097	565,828	7.75%	1,009,284	\$3.50	4,203	17,291	382,550	(120,770)
North City Total	445	28,893,509	354,664	2,894,917	3,676,361	12.72%	5,160,405	\$3.35	(216,545)	(276,528)	478,819	565,398
North County												
Carlsbad	145	5,901,044	200,942	1,169,633	1,417,884	24.03%	1,561,547	\$4.60	60,889	(153,462)	304,200	97,859
North Beach Cities	108	2,375,402	0	53,000	180,225	7.59%	293,216	\$3.06	(19,688)	(10,484)	128,260	(47,163)
North County Total	253	8,276,446	200,942	1,222,633	1,598,109	19.31%	1,854,763	\$3.76	41,201	(163,946)	432,460	50,696
South/Southeast Corridor												
East County	124	2,561,432	26,432	665,500	233,044	9.10%	274,001	\$1.46	(26,112)	(45,886)	31,877	(15,555)
South San Diego	123	3,682,953	31,697	342,500	650,584	17.66%	971,557	\$2.06	(110,508)	(148,741)	94,431	85,712
South/Southeast Total	247	6,244,385	58,129	1,008,000	883,628	14.15%	1,245,558	\$1.61	(136,620)	(194,627)	126,308	70,157
Class A	236	28,171,431	1,910,298	6,712,616	5,226,088	18.55%	6,433,044	\$3.10	228,716	219,404	1,834,229	813,988
Class B	1,098	47,447,415	643,119	3,683,813	5,982,430	12.61%	8,345,348	\$2.41	160,366	53,785	(45,474)	12,619
Class C	802	18,378,984	0	0	1,341,006	7.30%	1,885,187	\$1.77	(185,522)	(260,962)	(46,963)	43,900
San Diego County Total	2,136	93,997,830	2,553,417	10,396,429	12,549,524	13.35%	16,663,579	\$2.76	203,560	12,227	1,741,792	870,507

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	December-09	Sony Electronics, Inc.
4747 Executive Drive	UTC	A	300,664	13	July-08	Hines
5893 Copley Drive	Kearny Mesa	A	205,000	6	September-08	Sudberry Properties, Inc.
Summit Rancho Bernardo	Rancho Bernardo	A	196,734	5	December-08	Bernardo Summit LLC

Recent Deliveries

Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner
Sunroad Centrum I	Kearny Mesa	A	273,764	12	April-08	Sunroad KM Land, Inc.
Kilroy Sabre Springs	Rancho Bernardo	A	154,151	6	March-08	Kilroy Realty Corporation
Gateway at Torrey Hills	Carmel Valley	A	97,826	4	January-08	Cisterra Partners
Civic View Corporate Centre	San Marcos	A	95,370	4	April-08	Newport National Corporation

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.

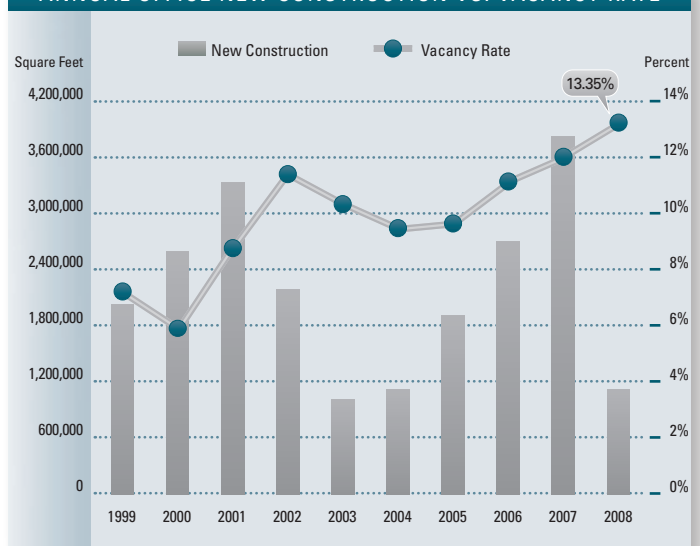
CLASS B

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



For further information, please contact:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868-1642

TEL: 714.978.7880
FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210
Chula Vista, CA 91910

TEL: 619.498.4560
FAX: 619.498.4567

IRVINE OFFICE

2020 Main St., Suite 100
Irvine, CA 92614

TEL: 949.851.5100
FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,
Suite 200
Las Vegas, NV 89135

TEL: 702.734.4500
FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,
Suite 990
San Diego, CA 92122-1233

TEL: 858.453.0505
FAX: 858.453.1981

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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.