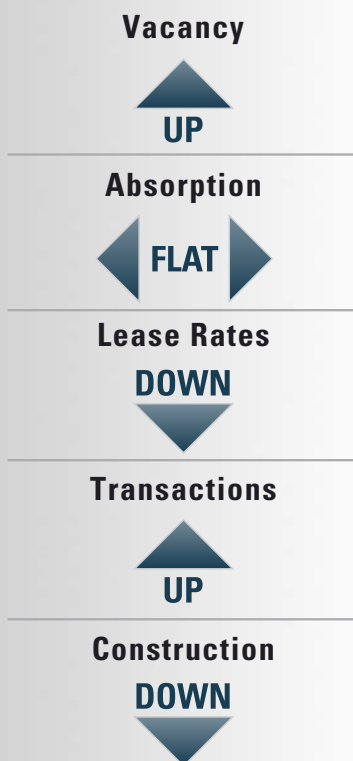




Voit
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Office Market Report

Compared to last quarter:



Office Market Highlights

- ◆ **Market Challenges** - The San Diego County Office market is facing challenges due to the national recession. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the second quarter. Another challenge the office market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. These contractions have led to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Construction** - During the first half of 2009, San Diego County has added a total of 600,000 square feet. Over the past three and a half years, over 9.2 million square feet of new construction has been completed in San Diego County. The record year for new development was 2001, when 3.7 million square feet of new space was added. Total space under construction checked in at 956,711 square feet at the end of the second quarter, which is less than half the amount that was under construction this same time last year. The slowdown in construction has and will ease the upward pressure on vacancy going forward.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 16.37%, constituting an increase over last year's second quarter rate of 13.18%. The lowest vacancy rate in the county can be found in the Central Suburban market coming in at 11.92%.
- ◆ **Availability** - Direct/sublease space being marketed was 20.4% this quarter, up from the 17.7% we saw this same quarter last year. This is an increase of 15% of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking Full Service Gross (FSG) lease rate per month per foot in San Diego County is currently \$2.47, which is a 10.5% decrease over last year's rate of \$2.76 and ten cents lower than last quarter's rate. The record high rate of \$2.76 was established in the first and second quarter of 2008. Class A rates for the county are averaging \$2.55 FSG and the highest rates are in the North City market, where rates are averaging \$2.75 FSG.
- ◆ **Absorption** - Net absorption for the county posted a positive 1,379 square feet for the second quarter of 2009, giving the office market a total of 40,000 square feet of negative absorption for the year. This negative absorption can be attributed to the recent job losses.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at just under one million square feet. The average amount of leasing per quarter over the past nine quarters was 1.7 million square feet. Sales activity showed a significant increase over last quarter, posting 761,789 square feet of activity compared to the first quarter's 284,740 square feet, demonstrating increased interest in properties changing hands. Details of the largest transactions can be found on the next page of this report.
- ◆ **Unemployment** - The unemployment rate in San Diego County was 9.4% in May 2009, up from a revised 9.2% in April 2009, and above the year ago estimate of 5.4%. This compares with an unadjusted unemployment rate of 11.2% for California and 9.1% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, San Diego County lost 52,200 payroll jobs over the last twelve months - 11,500 in retail trade, transportation and utilities services and 11,100 in construction. However, between April 2009 and May 2009 San Diego County only lost 2,800 jobs.
- ◆ **Overall** - The office market has not reached the bottom nor has it begun to improve, but we are starting to see an increase in sales activity. Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

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OFFICE MARKET OVERVIEW

	2Q2009	1Q2009	2Q2008	% CHANGE VS. 2Q08
Under Construction	956,711	1,289,223	2,553,417	-62.53%
Planned Construction	7,703,253	8,824,491	10,396,429	-25.90%
Vacancy	16.37%	16.03%	13.18%	24.20%
Availability	20.40%	19.46%	17.73%	15.06%
Average Asking Lease Rate	\$2.47	\$2.57	\$2.76	-10.51%
Sale & Lease Transactions	1,717,989	1,315,392	2,538,658	-32.33%
Net Absorption	1,379	-43,875	132,508	N/A

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RECENT TRANSACTIONS

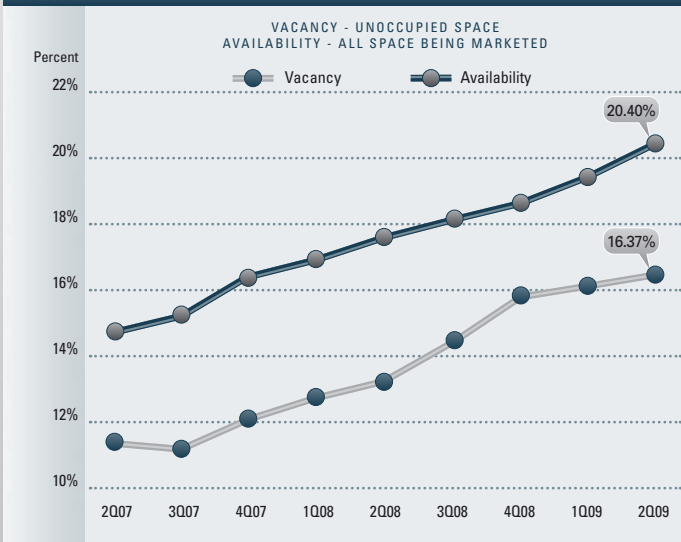
Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
350 Camino De La Reina - 6 Properties	San Diego	B & C	547,036	\$51,200,000	Platinum Equity	Copley Press Inc.
830 Century Park Court - 3 Properties	Kearny Mesa	B	199,121	\$40,340,000	Menlo Equities	AFL-CIO Building Investment Trust
The Ocean Collection at Bressi Ranch	Carlsbad	B	N/A	\$8,500,000	Dei, LLC	East West Bank
850 Lagoon Drive - Goodrich Aerostructures	Chula Vista	B	160,000	\$7,000,000	Pacifica Companies	Chula Vista Capital Corporation, Inc.

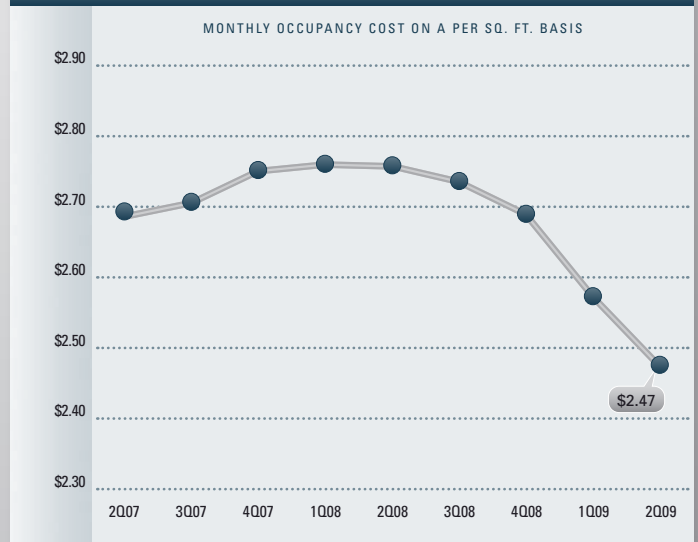
Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
10240 Science Center Drive	Torrey Pines	B	49,347	May-09	eBioscience, Inc.	TC Torrey Pines, LLC
655 W Broadway	Downtown	A	28,427	May-09	Deloitte	Wereldhave N.V.
10182 Telesis Court	Sorrento Mesa	A	21,260	April-09	N/A	Principal Real Estate Investors LLC
7676 Hazard Center Drive	Mission Valley	A	20,442	May-09	Barrister Executive Suites, Inc.	Principal Real Estate Investors LLC

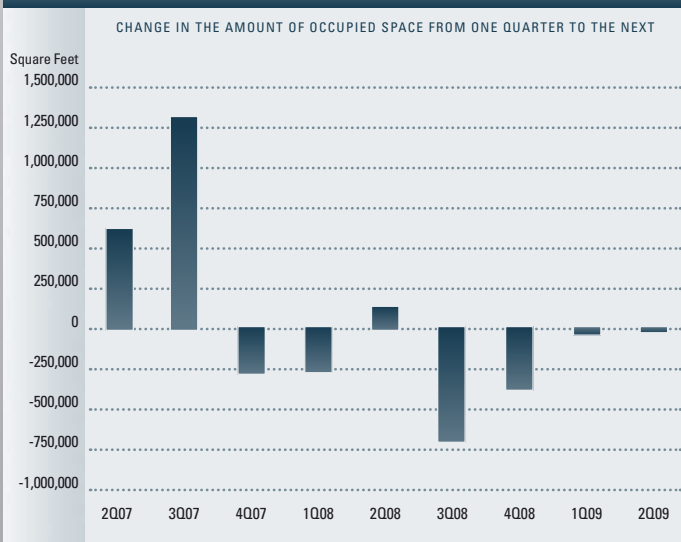
VACANCY & AVAILABILITY RATE



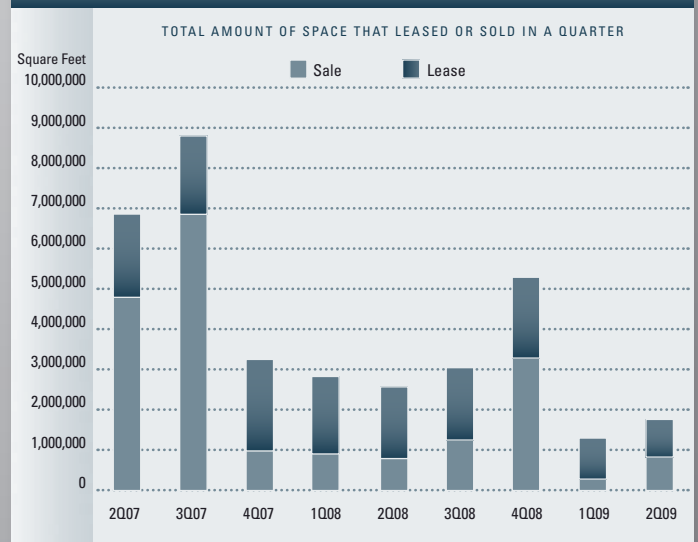
AVERAGE ASKING FULL SERVICE GROSS LEASE RATE



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 2Q2009	Total Availability 2Q2009	Average Asking Lease Rate	Net Absorption 2Q2009	Net Absorption 2009	Gross Absorption 2Q2009	Gross Absorption 2009
Central												
Downtown	134	12,488,128	115,428	0	1,741,609	13.95%	2,341,493	\$2.39	50,147	30,811	242,036	479,056
Central Total	134	12,488,128	115,428	0	1,741,609	13.95%	2,341,493	\$2.39	50,147	30,811	242,036	479,056
Central Suburban												
City Heights/University	54	1,357,360	78,696	0	82,991	6.11%	107,646	\$1.87	13,244	21,536	13,782	31,655
Kearny Mesa	234	9,965,010	20,300	854,000	1,302,968	13.08%	1,618,223	\$1.93	139,029	387,115	340,223	773,755
Mission Gorge	60	1,574,966	0	0	136,675	8.68%	135,135	\$1.41	2,258	1,919	12,326	22,370
Mission Valley	125	6,950,929	0	55,000	1,120,203	16.12%	1,419,215	\$2.38	46,482	33,086	210,377	430,657
Old Town	37	964,963	0	0	86,626	8.98%	174,099	\$2.20	(6,093)	(11,566)	6,998	25,180
Point Loma	60	1,778,299	0	0	85,336	4.80%	163,406	\$0.00	67,863	68,066	89,804	110,699
Rose Canyon/Morena	54	1,168,797	11,160	11,397	117,564	10.06%	153,371	\$2.00	273	(17,173)	15,070	23,040
Uptown/Hillcrest	75	1,883,913	0	0	125,533	6.66%	157,133	\$1.75	9,052	17,026	16,209	44,132
Central Suburban Total	699	25,644,237	110,156	920,397	3,057,896	11.92%	3,928,228	\$2.16	272,108	500,009	704,789	1,461,488
Highway 78 Corridor												
Oceanside	45	915,164	0	431,832	226,720	24.77%	228,030	\$0.00	8,383	(11,485)	22,450	24,749
San Marcos/Vista	96	2,566,584	0	448,908	526,377	20.51%	547,303	\$1.58	9,160	(2,730)	31,524	98,236
Highway 78 Corridor Total	141	3,481,748	0	880,740	753,097	21.63%	775,333	\$1.58	17,543	(14,215)	53,974	122,985
I-15 Corridor												
Escondido	74	1,525,119	0	43,107	235,044	15.41%	259,086	\$1.57	(6,090)	(24,708)	14,639	21,659
Poway	31	1,385,049	0	364,570	41,610	3.00%	72,354	\$2.25	8,942	21,845	10,865	33,822
Rancho Bernardo	109	6,874,462	450,000	997,184	1,551,857	22.57%	1,797,369	\$1.92	(117,805)	(76,821)	157,147	267,915
Scripps Ranch	45	1,817,809	150,000	480,000	468,212	25.76%	543,526	\$2.32	(122)	(21,594)	20,671	164,695
I-15 Corridor Total	259	11,602,439	600,000	1,884,861	2,296,723	19.80%	2,672,335	\$2.10	(115,075)	(101,278)	203,322	488,091
North City												
Del Mar Heights	67	4,432,449	0	91,256	891,684	20.12%	1,254,932	\$3.90	(13,094)	(12,772)	65,006	194,104
Governor Park	19	859,736	0	0	331,053	38.51%	467,560	\$2.65	14,267	32,533	21,012	59,313
La Jolla	56	1,668,687	0	0	111,615	6.69%	176,944	\$3.38	(21,850)	(45,711)	8,852	28,187
Miramar	34	1,578,766	0	0	228,336	14.46%	287,702	\$1.93	28,608	35,455	39,985	71,677
Sorrento Mesa	127	9,072,944	0	1,448,649	1,597,525	13.67%	2,278,877	\$2.32	(59,185)	46,808	84,674	399,319
Torrey Pines/Sorrento Valley	58	3,763,758	0	0	328,980	12.72%	476,236	\$3.70	(982)	(28,696)	11,722	14,072
UTC Center	91	7,538,045	0	494,097	1,669,902	22.15%	1,831,744	\$2.84	(115,853)	(360,420)	132,854	256,229
North City Total	452	28,914,385	0	2,034,002	5,159,095	17.84%	6,773,995	\$2.75	(168,089)	(332,803)	364,105	1,022,901
North County												
Carlsbad	151	6,058,683	82,127	974,300	1,449,251	23.92%	1,656,239	\$2.30	(17,831)	21,196	191,707	418,396
North Beach Cities	109	2,405,617	33,000	20,000	292,317	12.15%	360,575	\$2.75	(19,142)	(27,394)	41,470	84,704
North County Total	260	8,464,300	115,127	994,300	1,741,568	20.58%	2,016,814	\$2.67	(36,973)	(6,198)	233,177	503,100
South/Southeast Corridor												
East County	125	2,515,522	0	666,000	231,251	9.19%	290,591	\$1.67	(7,235)	(5,379)	36,579	64,246
South San Diego	119	3,543,510	16,000	322,953	838,443	23.66%	916,427	\$1.95	(11,047)	(113,443)	35,248	90,499
South/Southeast Total	244	6,059,032	16,000	988,953	1,069,694	17.65%	1,207,018	\$1.88	(18,282)	(118,822)	71,827	154,745
Class A	260	30,257,889	682,127	4,491,530	6,525,892	21.57%	7,704,395	\$2.55	420,426	551,988	942,404	1,928,035
Class B	1,145	48,255,328	274,584	3,211,723	7,798,412	16.16%	10,032,221	\$2.13	(436,494)	(491,874)	754,467	1,902,297
Class C	784	18,141,052	0	0	1,495,378	8.24%	1,978,600	\$1.71	17,447	(102,610)	176,359	402,034
San Diego County Total	2,189	96,654,269	956,711	7,703,253	15,819,682	16.37%	19,715,216	\$2.47	1,379	(42,496)	1,873,230	4,232,366

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.
MedImpact Campus	Scripps Ranch	A	150,000	6	April-10	N/A
2175 Salk Avenue	Carlsbad	A	82,127	3	October-09	Newport National
4056 Fairmount Avenue	City Heights	B	78,696	4	July-01	City Heights Realty LLC

Recent Deliveries

Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner
Summit Rancho Bernardo	Rancho Bernardo	A	196,734	5	April-09	Bernardo Summit LLC
Liberty Station	Point Loma	A	104,397	3	June-09	McMillin Companies, Inc.
Pacific Medical Plaza	Sorrento Mesa	A	50,925	3	January-09	Kilroy Realty Corporation
2530 Campbell Place	Carlsbad	B	41,000	2	March-09	Lichter Equities, LP

Product Type

CLASS A

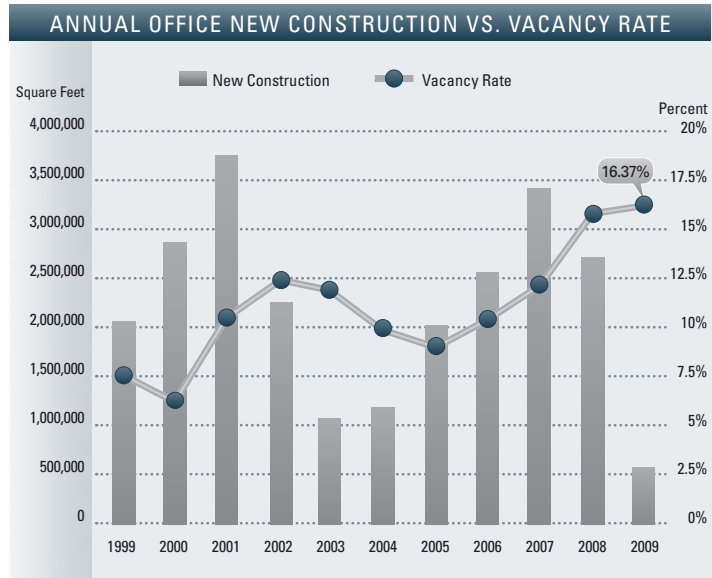
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

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.



For further information, please contact:

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