

Report



THIRD
QUARTER
2003

Market Highlights

- Unemployment in the third quarter of 2003 in San Diego County is 4.3%, which is an increase of 0.2% since the second quarter of 2003 and down from the 4.1% 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 1,345,687 square feet of Office construction underway, and total construction is a little higher than the 1,299,158 square feet that was under construction at this same time last year. This is a increase of just over 3.5%.
- Planned Office construction in San Diego County is down by over 50% compared to last year. Currently there is 4,494,386 square feet of Office space on the slate as being planned, compared to last year's figure of 10,598,090 square feet.
- The Office vacancy rate is at 9.33%, which is down from the 9.83% rate during the second quarter of 2003. Although, when we add in the sublease space, the availability rate increased almost 3% 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 the market place over the past few years.
- The average asking full service lease rate checked in at \$1.98 a square foot per month this quarter. This is lower than last quarter and 15.98% lower than what was reported in the third quarter of 2002.
- The Office absorption checked in at a positive 1,131,039 square feet for the third quarter of 2003. This gives the San Diego Office market a total of 1,670,230 square feet of positive absorption for the first three quarters of 2003.

OFFICE MARKET STATISTICS

	3Q2003	2Q2003	3Q2002	% CHANGE VS. 3Q02
Under Construction	1,345,687	1,404,927	1,299,158	3.58%
Planned Construction	4,494,386	4,604,425	10,598,090	-57.59%
Vacancy	9.33%	9.83%	11.03%	-15.41%
Availability	13.62%	14.02%	13.23%	2.95%
Pricing - Full Service Gross	\$1.98	\$2.07	\$2.34	-15.38%
Net Absorption	1,138,814	378,277	-185,332	-714.47%

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



San Diego County

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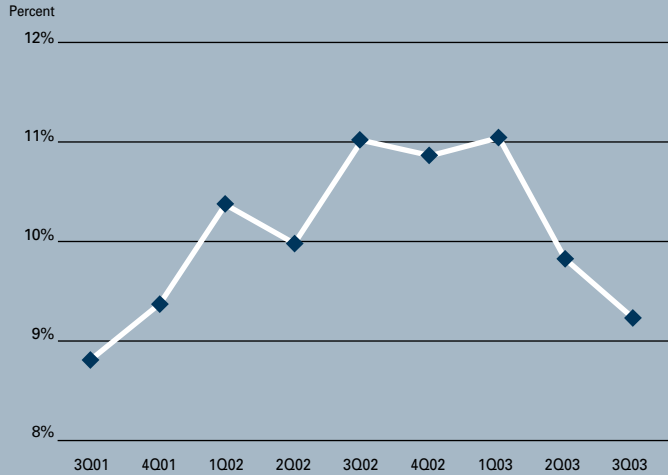
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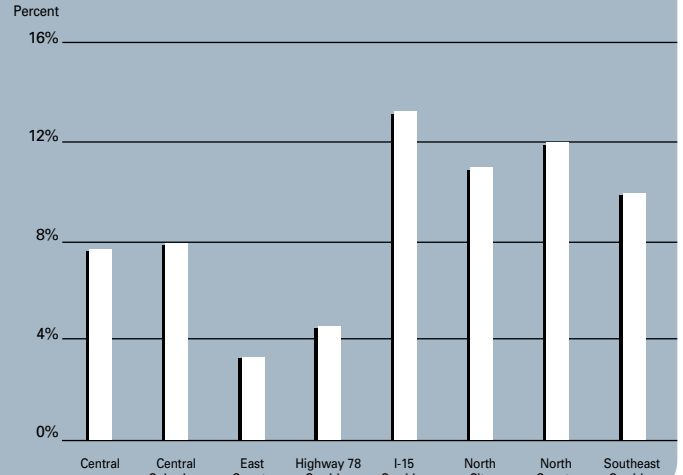
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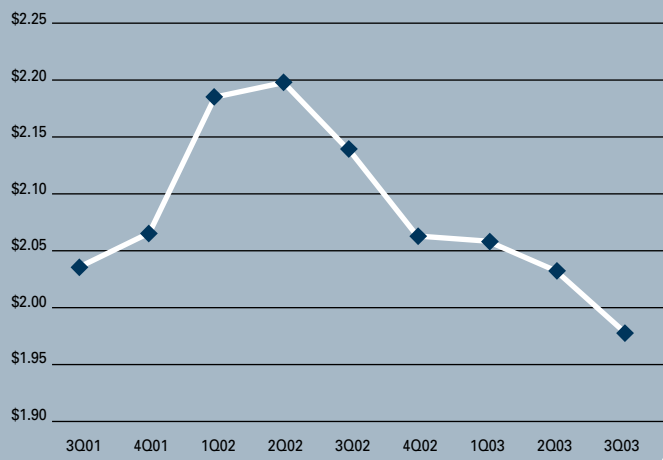
VACANCY RATE



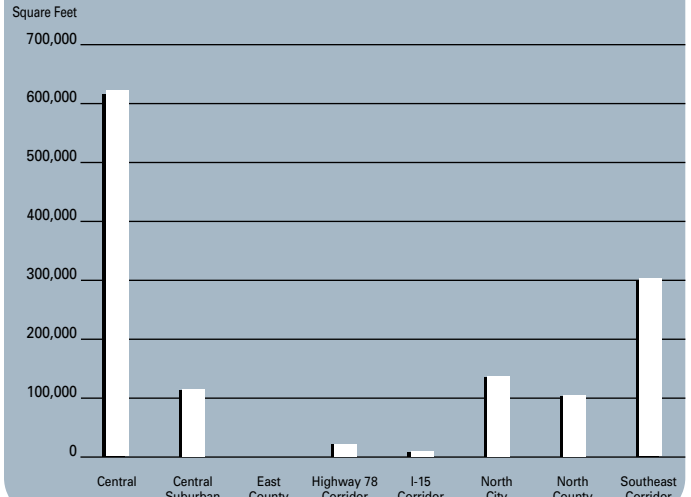
VACANCY RATE BY SUBMARKET



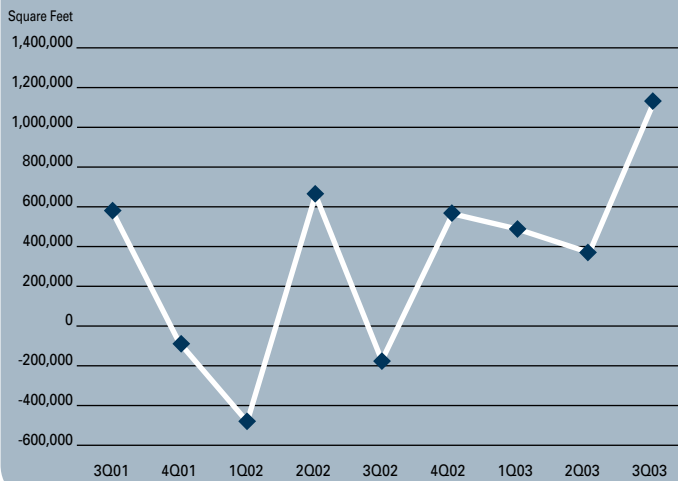
AVERAGE ASKING FULL SERVICE GROSS LEASE RATE



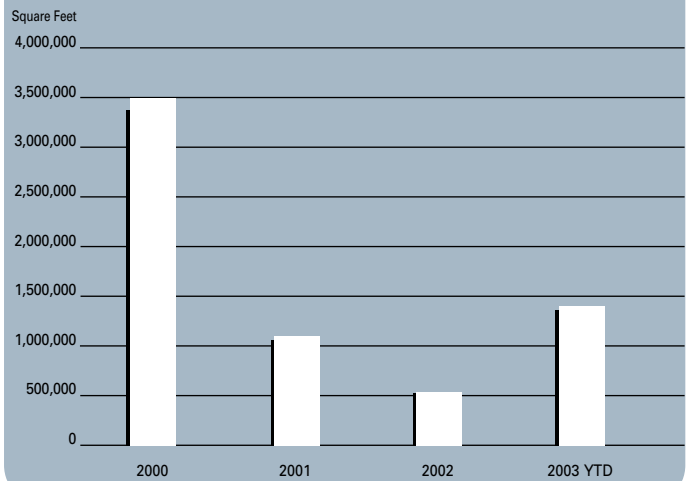
CONSTRUCTION ACTIVITY



QUARTERLY NET ABSORPTION



ANNUAL NET ABSORPTION



S A N D I E G O C O U N T Y

INVENTORY

VACANCY & ABSORPTION

	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2003	Vacancy with Sublet 3Q2003	Average Asking Lease Rate	Net Absorption 3Q2003	Net Absorption 2003
Central										
Downtown	113	11,108,653	630,000	1,451,470	949,973	8.55%	1,331,440	\$1.64	150,264	56,878
Uptown	86	2,040,112	0	0	50,900	2.49%	131,592	\$1.61	23,686	(69,700)
Central Total	199	13,148,765	630,000	1,451,470	1,000,873	7.61%	1,463,032	\$1.64	173,950	-12,822
Central Suburban										
College/Sports Area	46	1,495,785	0	0	78,041	5.22%	84,041	\$1.70	10,055	17,972
Kearny Mesa	209	7,860,109	25,000	411,495	800,944	10.19%	1,018,768	\$1.89	(49,730)	(42,830)
Mission Gorge	15	336,394	0	0	2,523	0.75%	17,323	\$1.50	1,200	60,985
Mission Valley	119	6,644,205	58,222	158,000	394,677	5.94%	771,255	\$2.23	(19,618)	(8,309)
Old Town	22	524,164	0	0	15,513	2.96%	26,464	\$1.75	(2,084)	54,382
Pacific Beach	7	200,933	0	0	11,168	5.56%	14,083	\$0.00	0	6,689
Point Loma	6	127,545	38,727	38,727	66,081	51.81%	66,081	\$0.00	(1,189)	(5,385)
Rose Canyon/Morena	31	725,470	0	0	51,872	7.15%	55,008	\$0.00	37,884	40,645
Central Suburban Total	455	17,914,605	121,949	608,222	1,420,819	7.93%	2,053,023	\$1.99	(23,482)	336,037
East County										
El Cajon	48	920,285	0	12,560	48,842	5.31%	71,709	\$0.00	25,754	51,012
La Mesa	53	1,497,220	0	0	25,886	1.73%	29,135	\$0.00	65,677	66,333
Lemon Grove	7	139,192	0	0	0	0.00%	0	\$0.00	13,158	13,158
Santee/Lakeside	10	214,978	0	0	17,254	8.03%	17,254	\$0.00	112,354	126,872
Spring Valley	7	113,720	0	0	0	0.00%	2,306	\$0.00	56,687	56,687
East County Total	125	2,885,395	0	12,560	91,982	3.19%	120,404	\$0.00	273,630	314,062
Highway 78 Corridor										
Oceanside	25	651,297	22,766	0	28,217	4.33%	38,825	\$1.40	(9,577)	4,609
San Marcos	41	1,040,935	0	55,000	90,531	8.70%	108,561	\$0.00	(23,514)	(23,514)
Vista	55	1,205,694	4,975	156,200	21,321	1.77%	38,295	\$1.67	976	90,574
Highway 78 Corridor Total	121	2,897,926	27,741	211,200	140,069	4.83%	185,681	\$1.65	(32,115)	71,669
I-15 Corridor										
Escondido	73	1,992,742	13,704	28,900	354,492	17.79%	381,573	\$1.72	63,072	72,131
Poway	11	737,799	0	30,684	12,614	1.71%	14,180	\$0.00	932	158
Rancho Bernardo	63	2,798,269	0	16,673	214,323	7.66%	524,330	\$2.00	48,987	53,497
Scripps Ranch	53	2,743,390	0	438,500	321,382	11.71%	608,436	\$2.18	305,352	454,099
I-15 Corridor Total	200	8,272,200	13,704	514,757	902,811	10.91%	1,528,519	\$2.05	418,343	579,885
North City										
Del Mar Heights	56	3,343,614	100,000	1,396,749	325,479	9.73%	597,029	\$0.00	(20,477)	36,302
Governor Park	21	1,030,359	0	0	50,242	4.88%	92,647	\$0.00	4,661	(26,479)
La Jolla	39	1,212,569	0	0	94,628	7.80%	152,321	\$2.87	48,112	26,327
Miramar	54	1,833,400	0	0	162,791	8.88%	247,331	\$0.00	79,530	139,913
Sorrento Mesa	78	4,873,863	0	0	868,729	17.82%	1,218,322	\$2.30	(46,404)	(51,210)
Torrey Pines/Sorrento Valley	65	3,710,252	42,204	55,488	284,744	7.67%	504,469	\$1.75	55,770	(193,417)
UTC Center	72	6,561,424	0	150,000	585,545	8.92%	1,102,561	\$2.44	94,269	255,164
North City Total	385	22,565,481	142,204	1,602,237	2,372,158	10.51%	3,914,680	\$2.38	215,461	186,600
North County										
Carlsbad	100	3,848,261	39,236	285,440	545,296	14.17%	660,834	\$1.78	43,308	428,669
North Beach Cities	57	1,432,604	66,853	11,000	87,471	6.11%	101,588	\$2.50	8,071	32,476
North County Total	157	5,280,865	106,089	296,440	632,767	11.98%	762,422	\$1.93	51,379	461,145
South/Southeast Corridor										
Chula Vista	50	2,229,729	304,000	25,000	52,942	2.37%	53,798	\$0.00	34,319	7,705
National City	11	327,042	0	0	161,027	49.24%	161,027	\$0.00	12,526	12,526
Otay Mesa	7	155,286	0	0	66,811	43.02%	66,811	\$0.00	7,028	27,485
South/Southeast Total	68	2,712,057	304,000	25,000	280,780	10.35%	281,636	\$0.00	53,873	47,716
Class A	306	28,789,916	1,118,143	3,821,058	3,698,212	12.85%	5,458,912	\$2.10	246,825	357,041
Class B	659	29,299,113	227,544	634,568	2,589,604	8.84%	3,507,064	\$1.78	573,494	1,049,314
Class C	745	177,588,265	0	38,760	773,210	0.44%	1,343,421	\$1.68	310,720	599,812
San Diego County Total	1,710	75,677,294	1,345,687	4,494,386	7,061,026	9.33%	10,309,397	\$1.98	1,131,039	1,670,230

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

**OFFICE
MARKET
Report**

3RD 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
Scripps Ranch

NORTH CITY

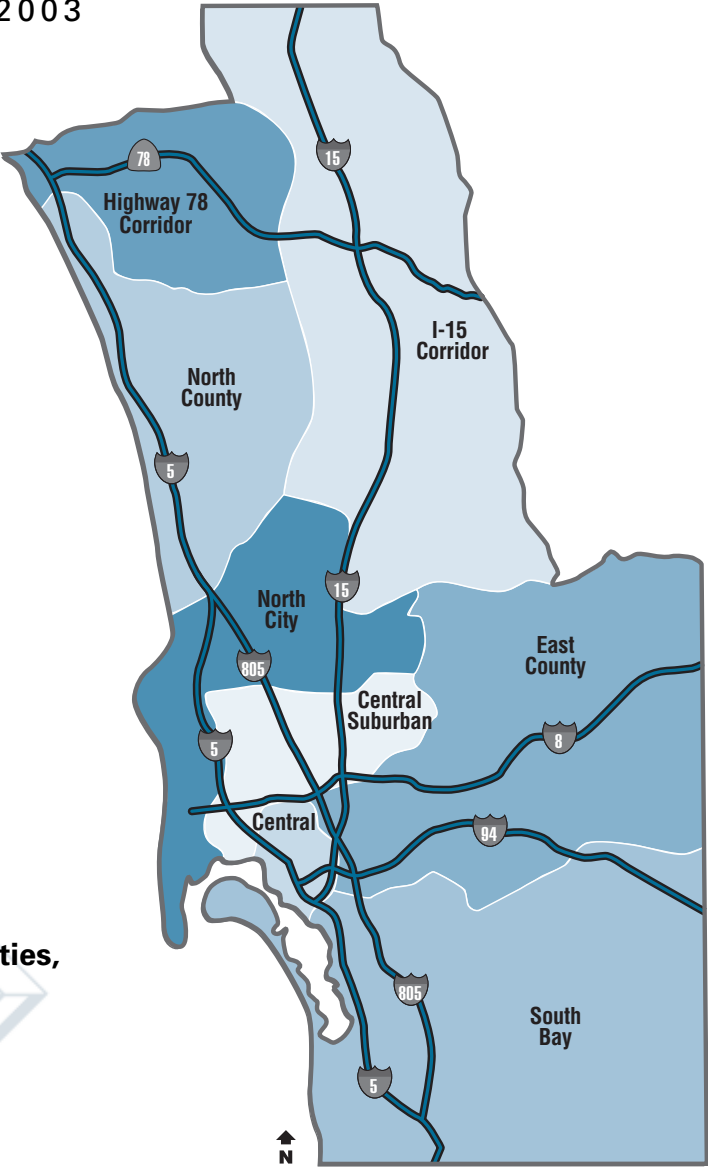
Del Mar Heights
Governor Park
La Jolla
Miramar
Sorrento Mesa
Torrey Pines/Sorrento Valley
UTC Center

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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FAX: 619.495.4567



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