

OFFICE MARKET REPORT

THIRD
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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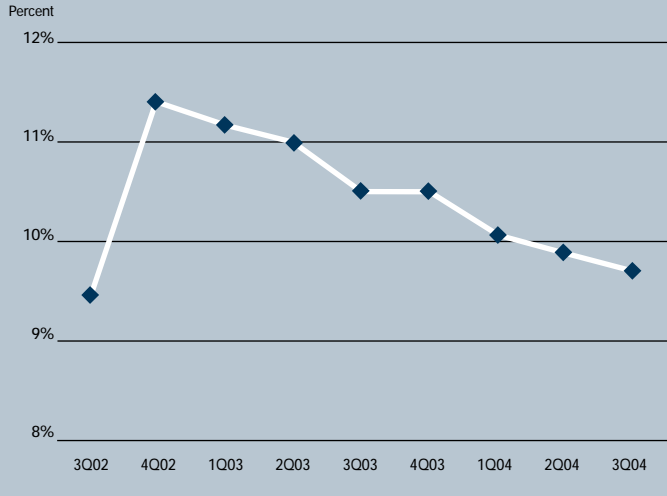
MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2004 in San Diego County is 3.7%, which is a decrease of 0.4% since the second quarter of 2004 and down from the 4.3% 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 2,276,642 square feet of Office construction underway, and total construction is higher than the 1,345,687 square feet that was under construction at this same time last year. This is an increase of 69.18%.
- ◆ Planned Office construction in San Diego County is up over 100% compared to last year. Currently there is 9,314,577 square feet of Office space on the slate as being planned, compared to last year's figure of 4,494,386 square feet.
- ◆ The Office vacancy rate is at 9.66%, which is down from the 9.91% rate we saw during the second quarter of 2004. This lack of supply and a stronger economy should put upward pressure on the average asking lease rate this year.
- ◆ The average asking full service lease rate checked in at \$2.31 a square foot per month this quarter. This is four cents higher than last quarter and 16.67% higher than what was reported in the third quarter of 2003.
- ◆ 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.

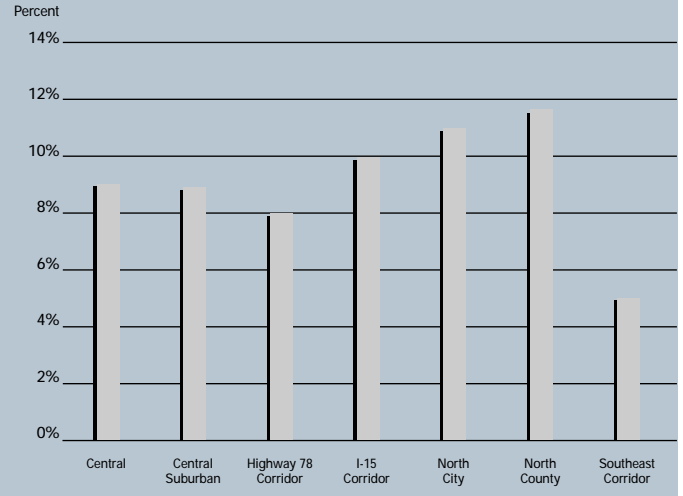
OFFICE MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	2,276,642	1,944,863	1,345,687	69.18%
Planned Construction	9,317,577	6,831,336	4,494,386	107.32%
Vacancy	9.66%	9.91%	9.33%	3.54%
Availability	13.75%	14.09%	13.62%	0.95%
Pricing - Full Service Gross	\$2.31	\$2.28	\$1.98	16.67%
Net Absorption	527,059	483,110	1,138,814	-53.72%

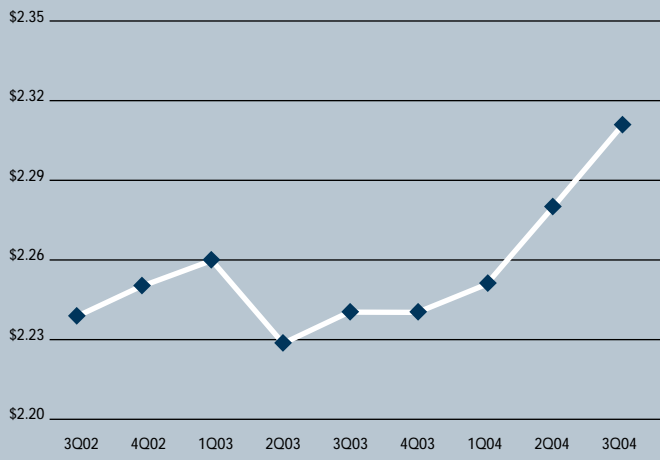
VACANCY RATE



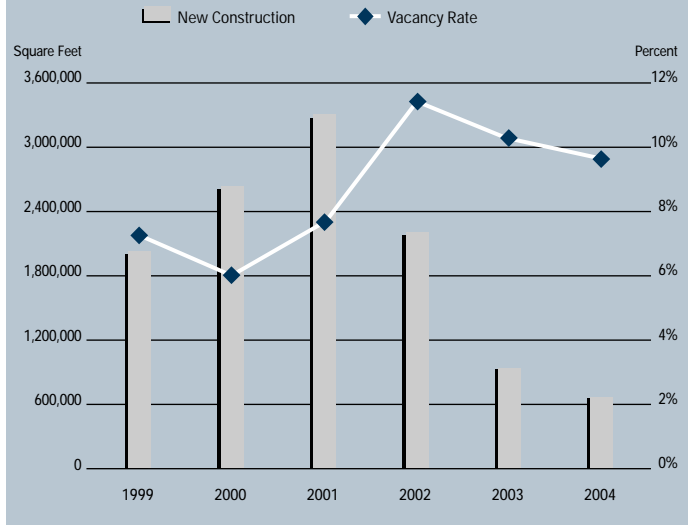
VACANCY RATE BY SUBMARKET



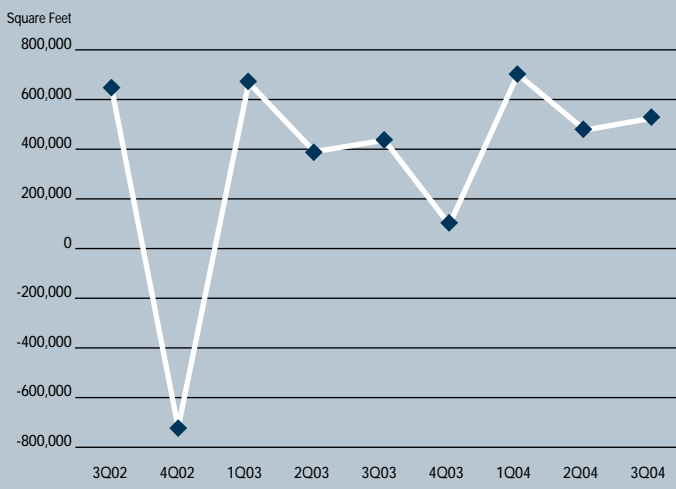
AVERAGE ASKING FULL SERVICE LEASE RATE



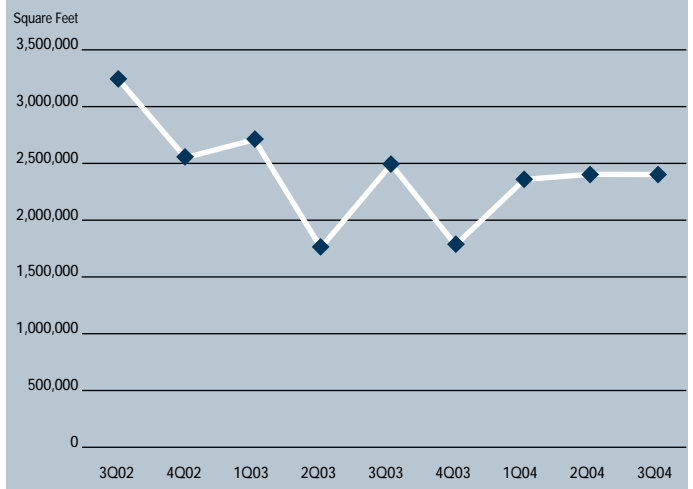
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 3Q2004	Total Availability 3Q2004	Average Asking Lease Rate	Net Absorption 3Q2004	Net Absorption 2004
Central										
Downtown	136	11,105,323	372,677	808,501	1,008,450	9.08%	1,428,909	\$2.23	37,822	258,950
Central Total	136	11,105,323	372,677	808,501	1,008,450	9.08%	1,428,909	\$2.23	37,822	258,950
Central Suburban										
City Heights/University	34	762,101	0	0	54,004	7.09%	58,770	\$1.69	13,446	89,208
Kearny Mesa	208	8,025,594	260,400	1,160,000	770,525	9.60%	841,923	\$1.85	133,358	284,048
Mission Gorge	51	1,301,547	0	0	63,148	4.85%	65,829	\$1.48	15,507	(24,552)
Mission Valley	123	6,395,432	254,504	18,000	724,647	11.33%	933,337	\$2.21	(108,832)	(146,193)
Old Town	28	650,960	0	0	44,367	6.82%	49,571	\$1.70	20,837	21,497
Point Loma	45	1,122,493	0	273,865	80,229	7.15%	88,622	\$0.00	(13,656)	32,840
Rose Canyon/Morena	46	991,149	0	0	84,922	8.57%	84,922	\$1.75	(21,511)	(54,419)
Uptown/Hillcrest	75	1,947,400	0	0	102,835	5.28%	134,651	\$1.69	37,408	(9,122)
Central Suburban Total	610	21,196,676	514,904	1,451,865	1,924,677	9.08%	2,257,625	\$2.06	76,557	193,307
Highway 78 Corridor										
Oceanside	29	564,956	14,850	0	66,988	11.86%	69,788	\$1.65	(406)	(33,311)
San Marcos/Vista	76	1,931,195	0	133,514	134,300	6.95%	199,200	\$1.40	(61,304)	(75,452)
Highway 78 Corridor Total	105	2,496,151	14,850	133,514	201,288	8.06%	268,988	\$1.53	(61,710)	(108,763)
I-15 Corridor										
Escondido	57	1,136,108	0	138,000	137,031	12.06%	138,425	\$1.83	7,966	(7,543)
Rancho Bernardo/Poway	104	5,281,146	156,000	2,608,103	422,967	8.01%	505,222	\$2.75	76,672	279,422
Scripps Ranch	38	1,419,124	0	680,500	227,984	16.07%	236,698	\$2.05	(63,213)	34,009
I-15 Corridor Total	199	7,836,378	156,000	3,426,603	787,982	10.06%	880,345	\$2.27	21,425	305,888
North City										
Del Mar Heights	59	3,827,437	387,737	465,000	322,493	8.43%	663,982	\$0.00	231,312	292,794
Governor Park	19	857,999	0	0	98,472	11.48%	141,613	\$0.00	(1,628)	(13,381)
La Jolla	53	1,532,358	0	0	158,670	10.35%	216,606	\$3.39	50,202	28,838
Miramar	30	1,043,430	0	0	194,253	18.62%	261,986	\$1.20	20,037	(39,504)
N University City - UTC Center	86	7,415,922	347,703	644,097	642,412	8.66%	1,171,658	\$2.76	(46,087)	53,416
Sorrento Mesa	109	6,144,087	0	1,555,932	820,649	13.36%	1,195,217	\$2.28	223,652	431,118
Torrey Pines/Sorrento Valley	56	3,149,542	0	118,954	380,054	12.07%	656,150	\$2.95	(17,750)	(20,020)
North City Total	412	23,970,775	735,440	2,783,983	2,617,003	10.92%	4,307,212	\$2.68	459,738	733,261
North County										
Carlsbad	110	4,166,354	153,013	335,105	613,994	14.74%	939,790	\$2.14	2,604	127,996
North Beach Cities	85	1,863,238	131,516	34,460	76,170	4.09%	88,866	\$2.45	18,294	131,564
North County Total	195	6,029,592	284,529	369,565	690,164	11.45%	1,028,656	\$2.17	20,898	259,560
South/Southeast Corridor										
East County	96	2,060,460	0	12,560	102,004	4.95%	142,471	\$1.09	(32,224)	5,843
South San Diego	85	2,497,850	198,242	330,986	125,822	5.04%	303,657	\$1.65	4,553	79,741
South/Southeast Total	181	4,558,310	198,242	343,546	227,826	5.00%	446,128	\$1.11	(27,671)	85,584
Class A	182	21,451,810	1,695,669	6,486,778	2,353,124	10.97%	3,365,139	\$2.59	435,289	904,005
Class B	894	38,339,352	580,973	2,830,799	3,809,598	9.94%	6,034,732	\$2.15	176,960	910,519
Class C	762	17,402,043	0	0	1,294,668	7.44%	1,217,992	\$1.68	(85,190)	(86,737)
San Diego County Total	1,838	77,193,205	2,276,642	9,317,577	7,457,390	9.66%	10,617,863	\$2.31	527,059	1,727,787

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

OFFICE MARKET REPORT

THIRD 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

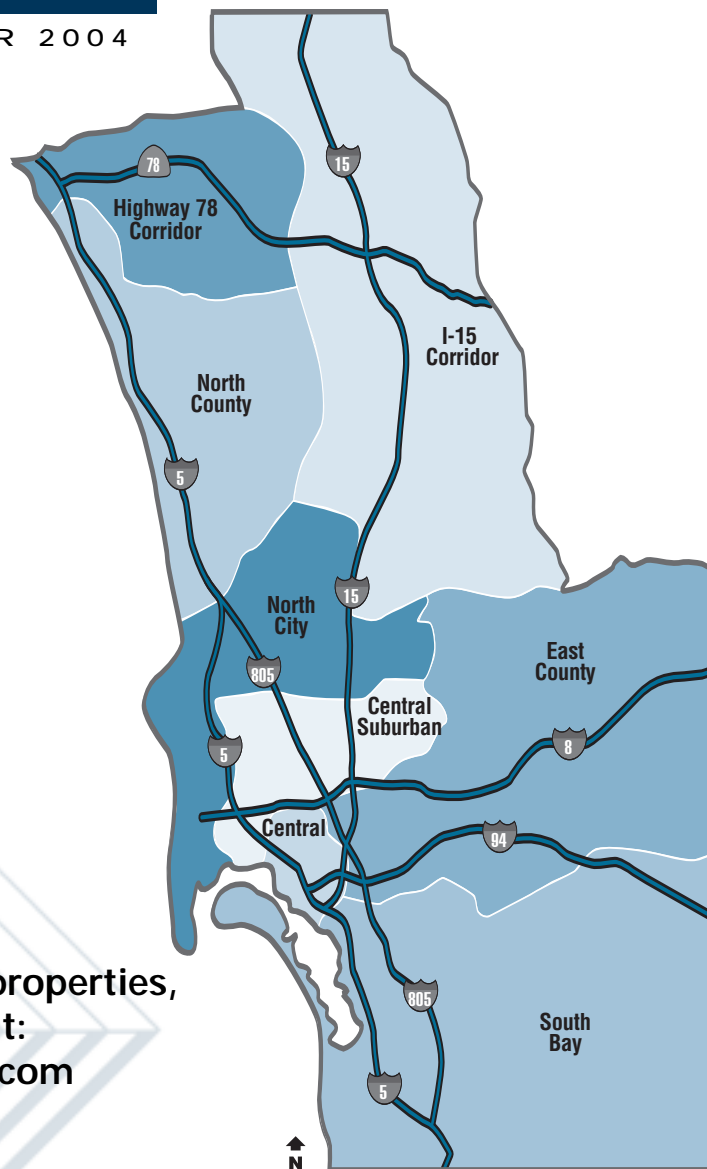
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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