

OFFICE MARKET REPORT

THIRD
QUARTER
2005

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



DOWN

CONSTRUCTION



DOWN

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MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2005 in San Diego County is 4.3%, which is an increase of 0.5% since the second quarter of 2005 and up from the 3.7% 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 3,213,519 square feet of Office construction underway, and total construction is higher than the 2,276,642 square feet that was under construction at this same time last year. This is an increase of over 40% when compared to last year.
- ◆ Planned Office construction in San Diego County is up 3.25% compared to last year. Currently there is 9,620,095 square feet of Office space on the slate as being planned, compared to last year's figure of 9,317,577 square feet.
- ◆ The Office vacancy rate is at 10.62%, which is up from the 9.9% rate we saw during the second quarter of 2005.
- ◆ The average asking full service lease rate checked in at \$2.47 a square foot per month this quarter. This is one cent lower than last quarter and 6.93% higher than what was reported in the third quarter of 2004.
- ◆ The Office absorption checked in at a positive 369,502 square feet for the third quarter of 2005, giving the San Diego Office Market a total of 1,245,023 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.

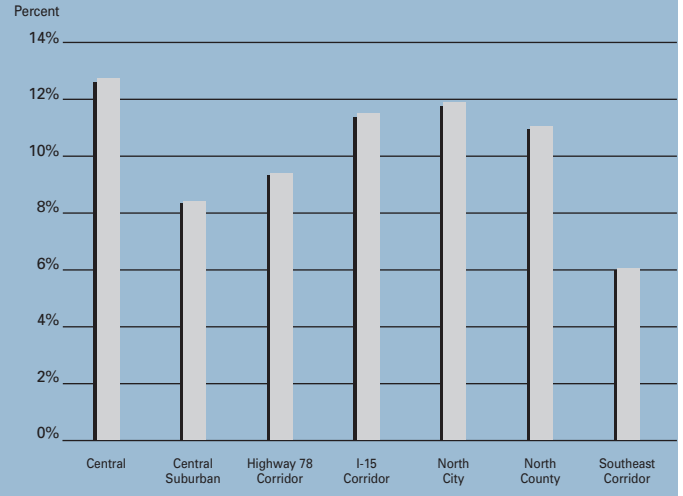
OFFICE MARKET STATISTICS

	3Q2005	2Q2005	3Q2004	% CHANGE VS. 3Q04
Under Construction	3,213,519	3,796,555	2,276,642	41.15%
Planned Construction	9,620,095	9,653,292	9,317,577	3.25%
Vacancy	10.62%	9.90%	9.66%	9.94%
Availability	12.03%	12.03%	13.75%	-12.51%
Pricing - Full Service Gross	\$2.47	\$2.48	\$2.31	6.93%
Net Absorption	369,502	777,411	527,059	-29.89%

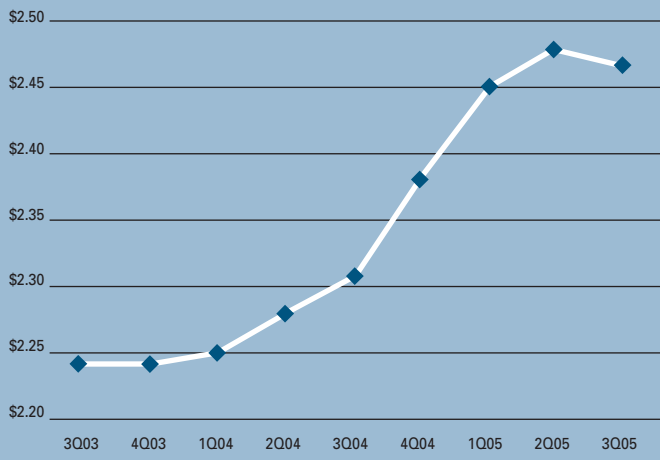
VACANCY RATE



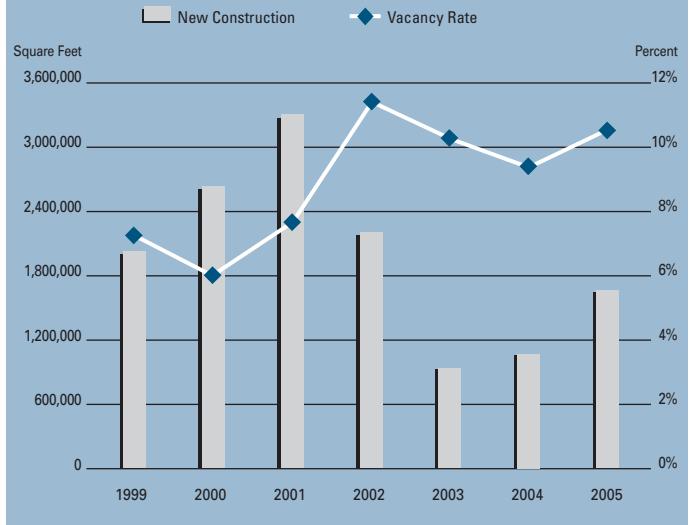
VACANCY RATE BY SUBMARKET



AVERAGE ASKING FULL SERVICE LEASE RATE



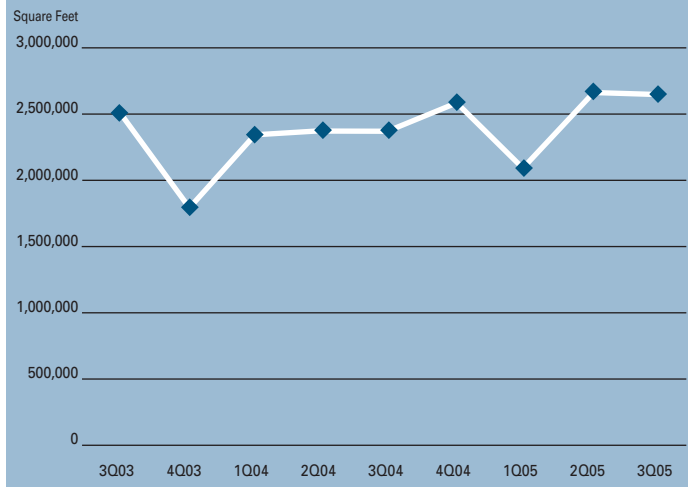
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



THIRD 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 3Q2005	Total Availability 3Q2005	Average Asking Lease Rate	Net Absorption 3Q2005	Net Absorption 2005
Central										
Downtown	136	11,390,107	463,139	80,000	1,447,644	12.71%	1,500,331	\$2.46	(153,669)	(16,022)
Central Total	136	11,390,107	463,139	80,000	1,447,644	12.71%	1,500,331	\$2.46	(153,669)	(16,022)
Central Suburban										
City Heights/University	36	800,897	0	78,696	49,885	6.23%	53,408	\$1.50	8,087	9,277
Kearny Mesa	210	8,285,989	100,000	1,178,910	722,374	8.72%	875,502	\$1.89	84,979	239,198
Mission Gorge	50	1,214,153	0	0	72,983	6.01%	116,653	\$1.45	14,788	(10,918)
Mission Valley	128	6,730,789	0	190,000	833,032	12.38%	911,492	\$2.21	81,570	223,773
Old Town	29	694,329	0	0	39,122	5.63%	51,718	\$1.80	(1,593)	6,748
Point Loma	48	1,248,146	50,663	181,214	77,989	6.25%	77,989	\$1.30	(1,534)	51,556
Rose Canyon/Morena	45	981,747	0	0	46,645	4.75%	50,124	\$0.00	2,193	47,236
Uptown/Hillcrest	76	1,952,524	0	0	79,498	4.07%	85,269	\$1.64	24,521	28,360
Central Suburban Total	622	21,908,574	150,663	1,628,820	1,921,528	8.77%	2,222,155	\$2.06	213,011	595,230
Highway 78 Corridor										
Oceanside	30	572,636	0	200,538	58,723	10.25%	61,623	\$1.74	(921)	3,632
San Marcos/Vista	75	1,926,527	173,478	374,386	176,318	9.15%	185,440	\$1.87	(51,025)	(50,826)
Highway 78 Corridor Total	105	2,499,163	173,478	574,924	235,041	9.40%	247,063	\$1.83	(51,946)	(47,194)
I-15 Corridor										
Escondido	56	1,126,726	0	78,777	63,596	5.64%	84,247	\$2.23	11,330	53,062
Rancho Bernardo/Poway	109	5,558,684	136,220	1,878,013	674,189	12.13%	779,551	\$0.00	(4,889)	(108,671)
Scripps Ranch	38	1,419,124	60,000	615,000	188,562	13.29%	189,086	\$2.12	(3,529)	(38,893)
I-15 Corridor Total	203	8,104,534	196,220	2,571,790	926,347	11.43%	1,052,884	\$2.18	2,912	(94,502)
North City										
Del Mar Heights	60	3,923,198	240,000	1,036,425	398,105	10.15%	522,272	\$0.00	37,548	193,713
Governor Park	19	857,999	0	1,640,000	72,660	8.47%	111,387	\$2.55	35,856	33,183
La Jolla	51	1,658,819	0	0	156,029	9.41%	173,811	\$3.05	5,444	5,905
Miramar	33	1,103,299	0	0	173,035	15.68%	223,039	\$0.00	18,387	20,898
N University City - UTC Center	85	7,028,677	156,560	494,097	858,298	12.21%	828,310	\$2.98	6,713	118,825
Sorrento Mesa	115	7,156,847	1,153,299	0	869,036	12.14%	1,040,967	\$2.58	128,708	51,470
Torrey Pines/Sorrento Valley	57	3,436,870	0	118,954	464,233	13.51%	464,233	\$3.01	(5,281)	107,649
North City Total	420	25,165,709	1,549,859	3,289,476	2,991,396	11.89%	3,364,019	\$2.85	227,375	531,643
North County										
Carlsbad	111	4,125,052	178,940	1,189,199	540,023	13.09%	670,970	\$2.20	96,597	254,967
North Beach Cities	94	2,161,303	57,460	11,400	149,139	6.90%	170,046	\$3.00	16,327	42,955
North County Total	205	6,286,355	236,400	1,200,599	689,162	10.96%	841,016	\$2.58	112,924	297,922
South/Southeast Corridor										
East County	95	2,040,899	55,560	0	69,663	3.41%	86,588	\$1.42	21,426	36,349
South San Diego	88	2,591,064	388,200	274,486	214,839	8.29%	309,340	\$0.00	(2,531)	12,922
South/Southeast Total	183	4,631,963	443,760	274,486	284,502	6.14%	395,928	\$1.42	18,895	49,271
Class A	184	22,210,201	2,292,780	7,105,611	3,087,025	13.90%	3,464,964	\$2.71	27,609	384,768
Class B	930	40,685,221	920,739	2,481,484	4,172,883	10.26%	4,713,510	\$2.28	336,571	891,130
Class C	760	17,090,983	0	33,000	1,235,712	7.23%	1,444,922	\$1.68	5,322	40,450
San Diego County Total	1,874	79,986,405	3,213,519	9,620,095	8,495,620	10.62%	9,623,396	\$2.47	369,502	1,316,348

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 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

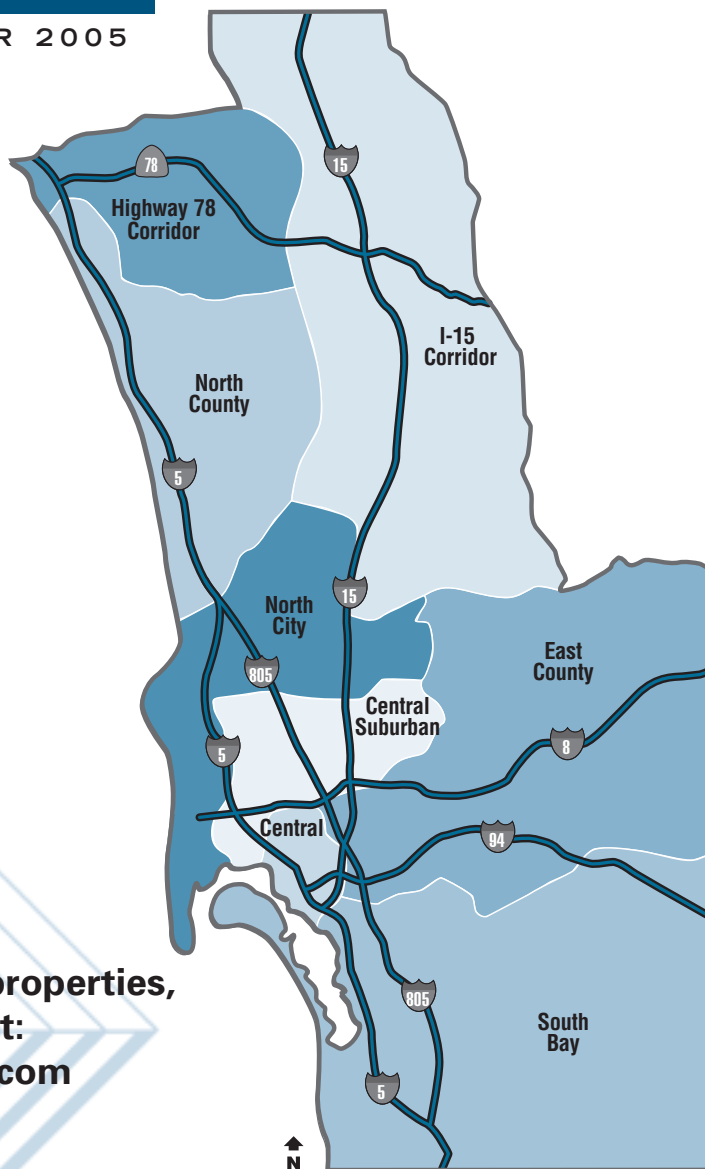
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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