

OFFICE MARKET REPORT

FOURTH
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



To view available properties,
please visit:

www.voitco.com



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



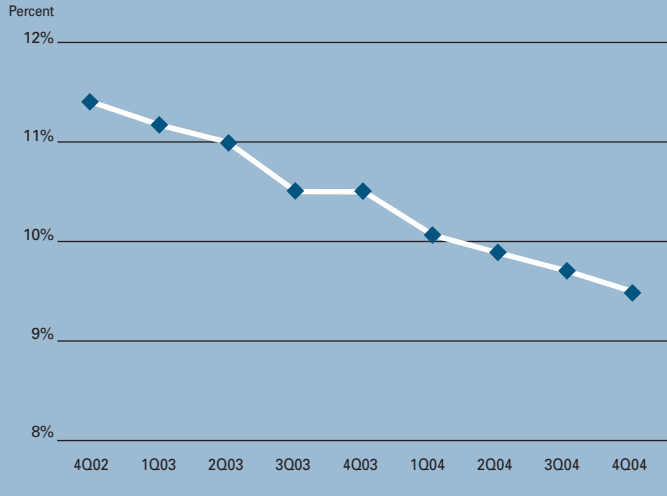
MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2004 in San Diego County is 3.4%, which is a decrease of 0.3% since the third quarter of 2004 and down from the 4.0% 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 3,187,299 square feet of Office construction underway, and total construction is higher than the 1,382,648 square feet that was under construction at this same time last year. This is an increase of 130%.
- ◆ 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 9.45%, which is down from the 9.66% rate we saw during the third quarter of 2004.
- ◆ The average asking full service lease rate checked in at \$2.38 a square foot per month this quarter. This is seven cents higher than last quarter and 6.25% higher than what was reported in the fourth quarter of 2003.
- ◆ The Office absorption checked in at a positive 634,048 square feet for the fourth quarter of 2004, giving the San Diego Office Market a total of 2.2 million square feet of positive absorption for 2004.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in San Diego County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 5% to 8% in 2005.

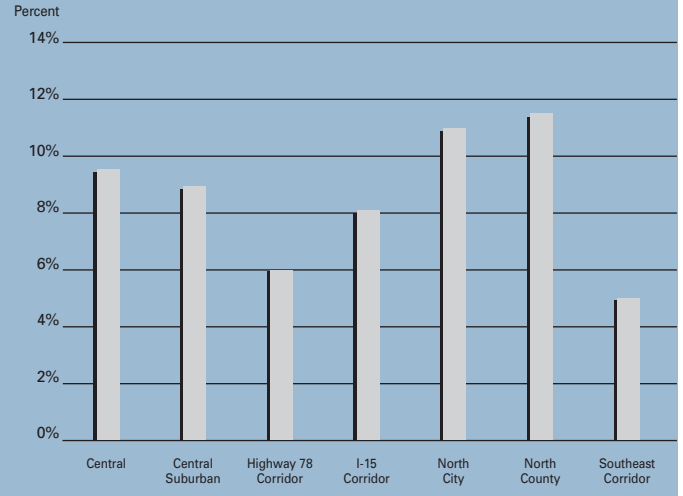
OFFICE MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	1,098,314	938,318	2,195,028	17.05%
Under Construction	3,187,299	1,382,648	835,989	130.52%
Vacancy	9.45%	10.50%	11.40%	-10.00%
Availability	12.66%	13.25%	14.23%	-4.45%
Pricing	\$2.38	\$2.24	\$2.25	6.25%
Net Absorption	2,194,717	1,607,411	433,624	84.04%
Gross Activity	9,675,818	8,778,897	11,075,053	0.22%

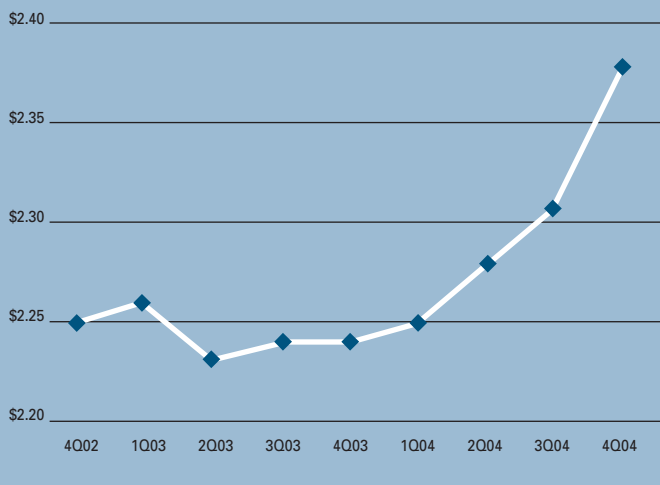
VACANCY RATE



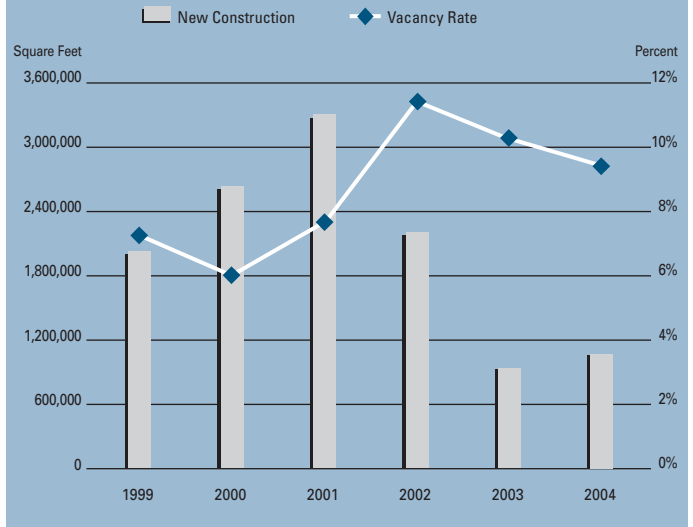
VACANCY RATE BY SUBMARKET



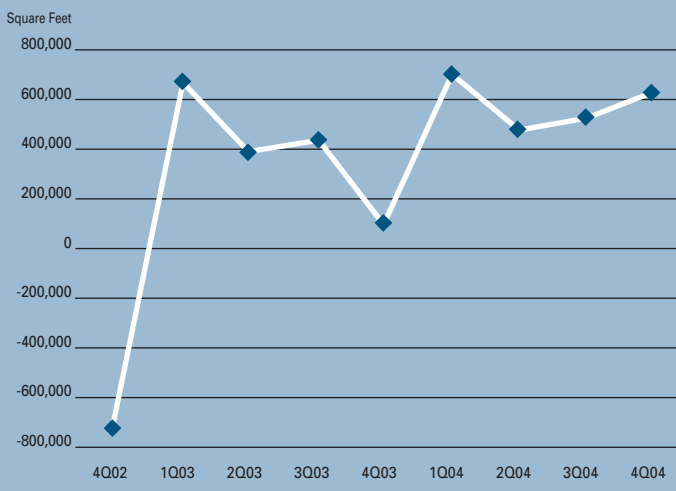
AVERAGE ASKING FULL SERVICE LEASE RATE



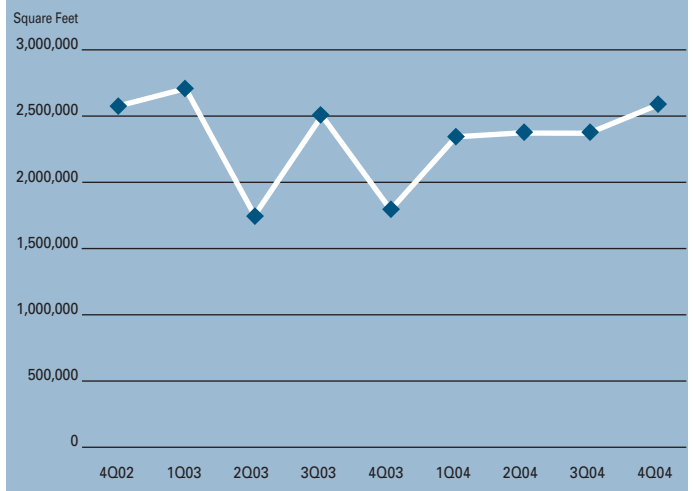
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FOURTH QUARTER 2004

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 4Q2004	Total Availability 4Q2004	Average Asking Lease Rate	Net Absorption 4Q2004	Net Absorption 2004
Central										
Downtown	135	11,060,162	483,066	331,050	1,048,533	9.48%	1,448,272	\$2.42	(16,414)	200,237
Central Total	135	11,060,162	483,066	331,050	1,048,533	9.48%	1,448,272	\$2.42	(16,414)	200,237
Central Suburban										
City Heights/University	34	762,101	0	0	51,354	6.74%	63,582	\$1.69	5,650	94,858
Kearny Mesa	206	7,966,876	260,430	1,160,000	730,723	9.17%	817,482	\$1.89	117,162	302,945
Mission Gorge	52	1,313,755	0	0	63,821	4.86%	86,795	\$1.40	2,488	(24,206)
Mission Valley	123	6,395,432	255,504	0	750,145	11.73%	952,890	\$2.26	(91,253)	(182,728)
Old Town	29	744,001	0	0	40,598	5.46%	64,432	\$1.83	(8,353)	13,144
Point Loma	45	1,122,493	89,586	186,650	72,048	6.42%	85,341	\$0.00	8,181	41,021
Rose Canyon/Morena	46	991,149	0	0	86,643	8.74%	86,643	\$0.00	(21,411)	(63,750)
Uptown/Hillcrest	75	1,940,122	0	0	120,502	6.21%	146,376	\$1.67	2,883	(14,035)
Central Suburban Total	610	21,235,929	605,520	1,346,650	1,915,834	9.02%	2,303,541	\$2.10	15,347	167,249
Highway 78 Corridor										
Oceanside	29	564,956	14,850	0	43,905	7.77%	53,614	\$1.69	26,893	(9,828)
San Marcos/Vista	77	1,962,859	0	154,478	106,721	5.44%	154,592	\$1.44	61,958	11,693
Highway 78 Corridor Total	106	2,527,815	14,850	154,478	150,626	5.96%	208,206	\$1.58	88,851	1,865
I-15 Corridor										
Escondido	57	1,187,222	0	138,000	109,858	9.25%	128,780	\$1.71	23,527	15,984
Rancho Bernardo/Poway	104	5,283,551	426,864	2,578,103	368,706	6.98%	440,543	\$2.75	153,213	404,084
Scripps Ranch	38	1,419,124	0	870,500	164,553	11.60%	174,429	\$2.28	87,029	121,038
I-15 Corridor Total	199	7,889,897	426,864	3,586,603	643,117	8.15%	743,752	\$2.34	263,769	541,106
North City										
Del Mar Heights	59	3,832,693	387,737	465,000	267,490	6.98%	413,916	\$0.00	88,505	369,243
Governor Park	19	857,999	0	0	110,444	12.87%	153,813	\$0.00	(6,250)	(14,956)
La Jolla	52	1,502,358	0	0	154,108	10.26%	184,825	\$3.65	21,497	36,372
Miramar	33	1,111,717	0	0	218,710	19.67%	262,408	\$1.16	(6,169)	(43,450)
N University City - UTC Center	88	7,753,310	0	644,097	770,911	9.94%	1,087,534	\$2.79	239,773	324,428
Sorrento Mesa	111	6,480,939	830,000	1,766,932	826,566	12.75%	1,087,408	\$2.36	61,150	461,428
Torrey Pines/Sorrento Valley	59	3,438,702	0	118,954	374,134	10.88%	563,723	\$2.50	(128,524)	(223,811)
North City Total	421	24,977,718	1,217,737	2,994,983	2,722,363	10.90%	3,753,627	\$2.66	269,982	909,254
North County										
Carlsbad	111	4,215,367	104,000	289,355	628,526	14.91%	934,100	\$2.14	10,038	166,486
North Beach Cities	85	1,884,233	137,020	34,460	64,182	3.41%	79,897	\$2.45	10,494	145,887
North County Total	196	6,099,600	241,020	323,815	692,708	11.36%	1,013,997	\$2.19	20,532	312,373
South/Southeast Corridor										
East County	99	2,104,090	0	12,560	91,744	4.36%	135,718	\$1.12	15,304	6,790
South San Diego	85	2,495,566	198,242	267,500	145,598	5.83%	318,737	\$0.00	(23,323)	55,843
South/Southeast Total	184	4,599,656	198,242	280,060	237,342	5.16%	454,455	\$1.12	(8,019)	62,633
Class A	173	21,194,421	2,522,859	5,727,327	2,169,072	10.23%	3,532,808	\$2.65	532,063	1,476,493
Class B	912	39,824,349	664,440	3,290,312	3,905,378	9.81%	4,850,228	\$2.20	113,679	937,152
Class C	766	17,372,017	0	0	1,336,073	7.69%	1,542,814	\$1.72	(11,694)	(218,928)
San Diego County Total	1,851	78,390,777	3,187,299	9,017,639	7,410,523	9.45%	9,925,850	\$2.38	634,048	2,194,717

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

OFFICE MARKET REPORT

FOURTH 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

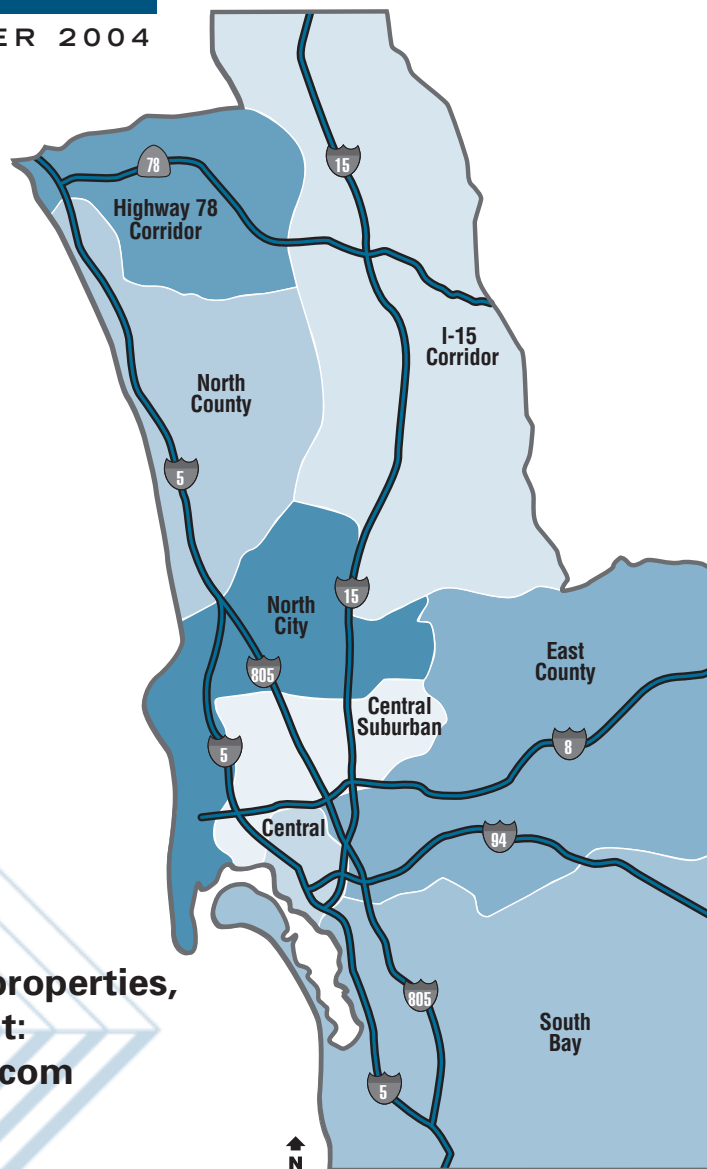
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



To view available properties,
please visit:
www.voidco.com

For Further Information:

SAN DIEGO OFFICE

4370 La Jolla Village Drive, Suite 990
San Diego, California 92122

TEL: 858.453.0505

FAX: 858.453.1981

CHULA VISTA OFFICE

660 Bay Boulevard, Suite 210
Chula Vista, California 91910

TEL: 619.498.4560

FAX: 619.495.4567



Real People. Real Solutions.