

OFFICE MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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MARKET HIGHLIGHTS

- ◆ Unemployment in the fourth quarter of 2005 in San Diego County is 4.2%, which is a decrease of 0.1% since the third quarter of 2005 and down from the 4.4% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,900 new non-farm jobs in 2005, and they are forecasting 23,000 new jobs in 2006. They are also forecasting a 6.8% increase in total personal income for 2005.
- ◆ Currently there is 4,034,118 square feet of Office construction underway, and total construction is higher than the 3,187,299 square feet that was under construction at this same time last year. This is an increase of over 26% when compared to last year.
- ◆ Planned Office construction in San Diego County is slightly down compared to last year. Currently there is 9,248,471 square feet of Office space on the slate as being planned, compared to last year's figure of 9,314,577 square feet.
- ◆ The Office vacancy rate is at 9.61%, which is up from the 9.45% rate we saw during the fourth quarter of 2004.
- ◆ The average asking full service lease rate checked in at \$2.52 a square foot per month this quarter. This is five cents higher than last quarter and 5.88% higher than what was reported in the fourth quarter of 2004.
- ◆ The Office absorption checked in at a positive 885,713 square feet for the fourth quarter of 2005, giving the San Diego Office Market a total of two and half million 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 5% to 7% in 2005.

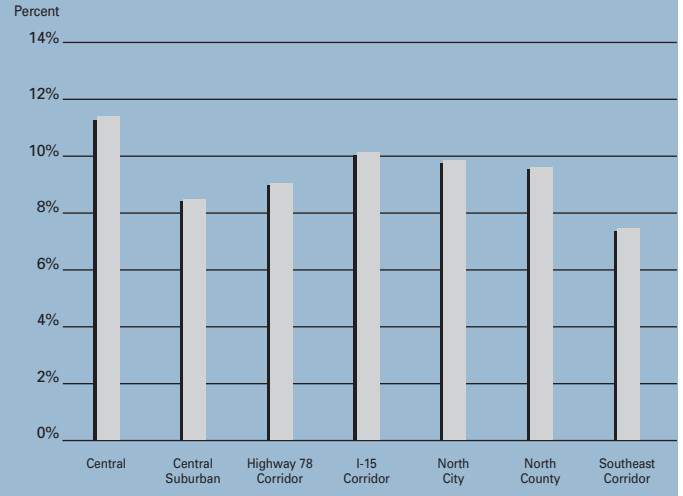
OFFICE MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	1,895,210	1,098,314	938,318	72.56%
Under Construction	4,034,118	3,187,299	1,382,648	26.57%
Vacancy	9.61%	9.45%	10.50%	1.69%
Availability	11.97%	12.66%	13.25%	-5.45%
Pricing	\$2.52	\$2.38	\$2.24	5.88%
Net Absorption	2,503,077	2,194,717	1,607,411	14.05%
Gross Activity	10,277,560	9,675,818	8,778,897	6.22%

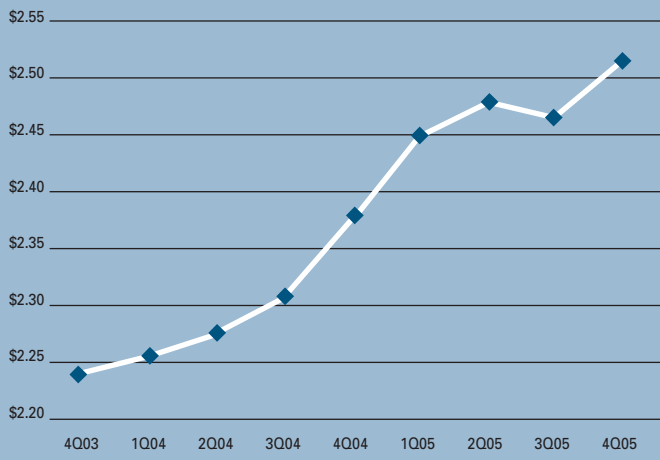
VACANCY RATE



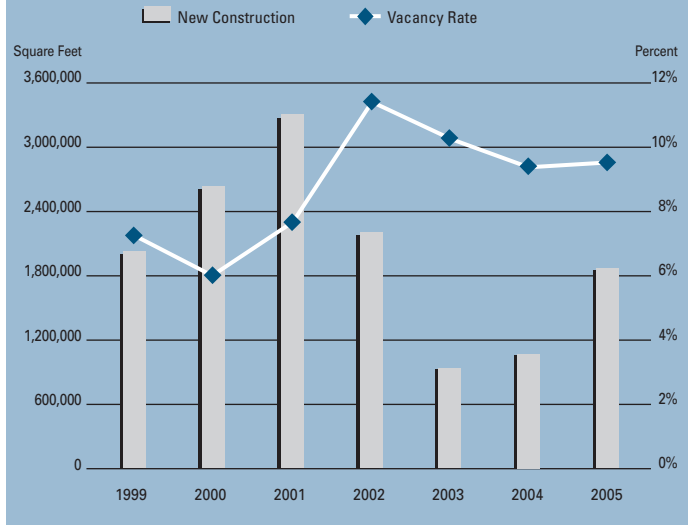
VACANCY RATE BY SUBMARKET



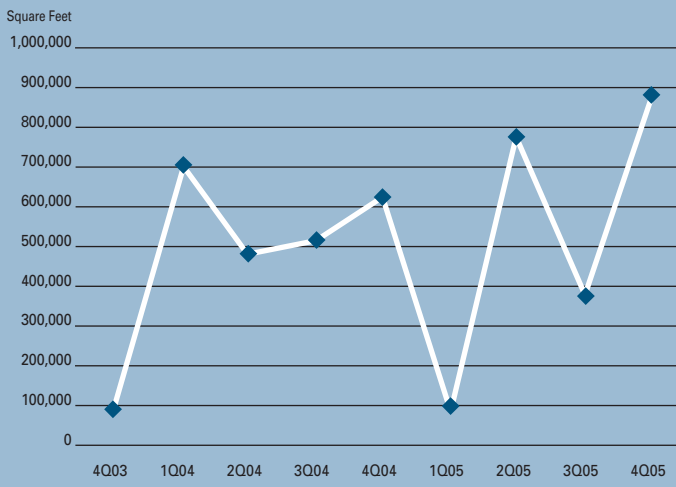
AVERAGE ASKING FULL SERVICE LEASE RATE



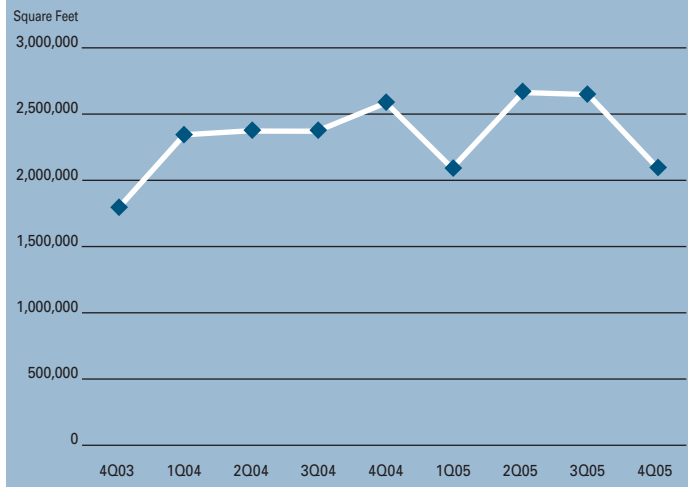
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FOURTH QUARTER 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 4Q2005	Total Availability 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005
Central										
Downtown	135	11,423,860	463,179	80,000	1,298,673	11.37%	1,552,188	\$2.51	30,871	181,110
Central Total	135	11,423,860	463,179	80,000	1,298,673	11.37%	1,552,188	\$2.51	30,871	181,110
Central Suburban										
City Heights/University	38	862,585	0	78,696	66,775	7.74%	68,715	\$1.50	(16,890)	(7,613)
Kearny Mesa	212	8,390,741	100,000	1,178,910	740,275	8.82%	857,581	\$1.98	(3,478)	255,154
Mission Gorge	49	1,204,153	0	0	68,525	5.69%	114,012	\$1.42	(761)	(6,460)
Mission Valley	128	6,721,669	0	184,000	761,113	11.32%	845,178	\$2.18	70,806	295,692
Old Town	29	700,032	0	0	47,057	6.72%	47,057	\$1.72	(7,935)	(1,187)
Point Loma	49	1,298,836	72,018	109,196	93,900	7.23%	93,900	\$1.29	25,218	83,723
Rose Canyon/Morena	44	976,166	0	0	50,448	5.17%	53,927	\$2.17	(9,095)	43,433
Uptown/Hillcrest	75	1,935,630	0	0	80,861	4.18%	110,177	\$1.64	(8,701)	20,037
Central Suburban Total	624	22,089,812	172,018	1,550,802	1,908,954	8.64%	2,190,547	\$2.06	49,164	682,779
Highway 78 Corridor										
Oceanside	29	557,036	10,538	166,000	49,359	8.86%	52,136	\$1.75	7,462	3,565
San Marcos/Vista	73	1,872,638	188,528	277,000	171,636	9.17%	204,328	\$1.85	5,250	(36,713)
Highway 78 Corridor Total	102	2,429,674	199,066	443,000	220,995	9.10%	256,464	\$1.84	12,712	(33,148)
I-15 Corridor										
Escondido	57	1,137,891	0	90,914	73,643	6.47%	90,852	\$2.23	(9,397)	43,015
Poway	29	1,190,044	0	324,000	226,945	19.07%	233,168	\$0.00	8,989	0
Rancho Bernardo	81	4,391,779	352,932	1,312,668	344,190	7.84%	638,970	\$0.00	117,079	19,005
Scripps Ranch	38	1,419,124	60,000	595,000	188,568	13.29%	198,436	\$1.96	(6)	(38,899)
I-15 Corridor Total	205	8,138,838	412,932	2,322,582	833,346	10.24%	1,161,426	\$2.09	116,665	23,121
North City										
Del Mar Heights	61	3,978,103	706,062	920,363	304,658	7.66%	579,430	\$0.00	161,485	355,198
Governor Park	19	857,999	0	0	104,761	12.21%	113,021	\$2.55	(32,101)	1,082
La Jolla	49	1,619,997	0	0	139,717	8.62%	152,863	\$3.21	13,356	22,217
Miramar	34	1,121,771	0	0	193,451	17.25%	207,657	\$0.00	29,720	42,816
N University City - UTC Center	85	7,137,307	156,560	494,097	630,363	8.83%	827,027	\$3.06	195,375	322,898
Sorrento Mesa	115	7,156,769	1,135,000	1,640,000	751,448	10.50%	945,023	\$2.62	111,294	169,058
Torrey Pines/Sorrento Valley	57	3,422,132	71,000	53,839	369,042	10.78%	426,669	\$3.38	19,375	202,840
North City Total	420	25,294,078	2,068,622	3,108,299	2,493,440	9.86%	3,251,690	\$3.02	498,504	1,116,109
North County										
Carlsbad	111	4,121,341	372,456	1,372,638	465,882	11.30%	556,051	\$0.00	73,426	326,836
North Beach Cities	95	2,195,763	58,000	26,400	147,821	6.73%	185,634	\$3.00	34,313	78,733
North County Total	206	6,317,104	430,456	1,399,038	613,703	9.71%	741,685	\$3.00	107,739	405,569
South/Southeast Corridor										
East County	95	2,040,899	12,560	92,750	80,070	3.92%	91,184	\$1.46	(12,515)	25,942
South San Diego	89	2,714,148	275,285	252,000	279,914	10.31%	387,150	\$0.00	82,573	101,595
South/Southeast Total	184	4,755,047	287,845	344,750	359,984	7.57%	478,334	\$1.46	70,058	127,537
Class A	194	22,950,629	3,213,962	6,711,108	2,915,339	12.70%	3,490,903	\$2.74	305,753	847,993
Class B	934	40,623,481	820,156	2,537,363	3,616,574	8.90%	4,691,839	\$2.37	553,274	1,564,592
Class C	748	16,874,303	0	0	1,197,182	7.09%	1,449,592	\$1.77	26,686	90,492
San Diego County Total	1,876	80,448,413	4,034,118	9,248,471	7,729,095	9.61%	9,632,334	\$2.52	885,713	2,503,077

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 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
Poway
Rancho Bernardo
Scripps Ranch

NORTH CITY

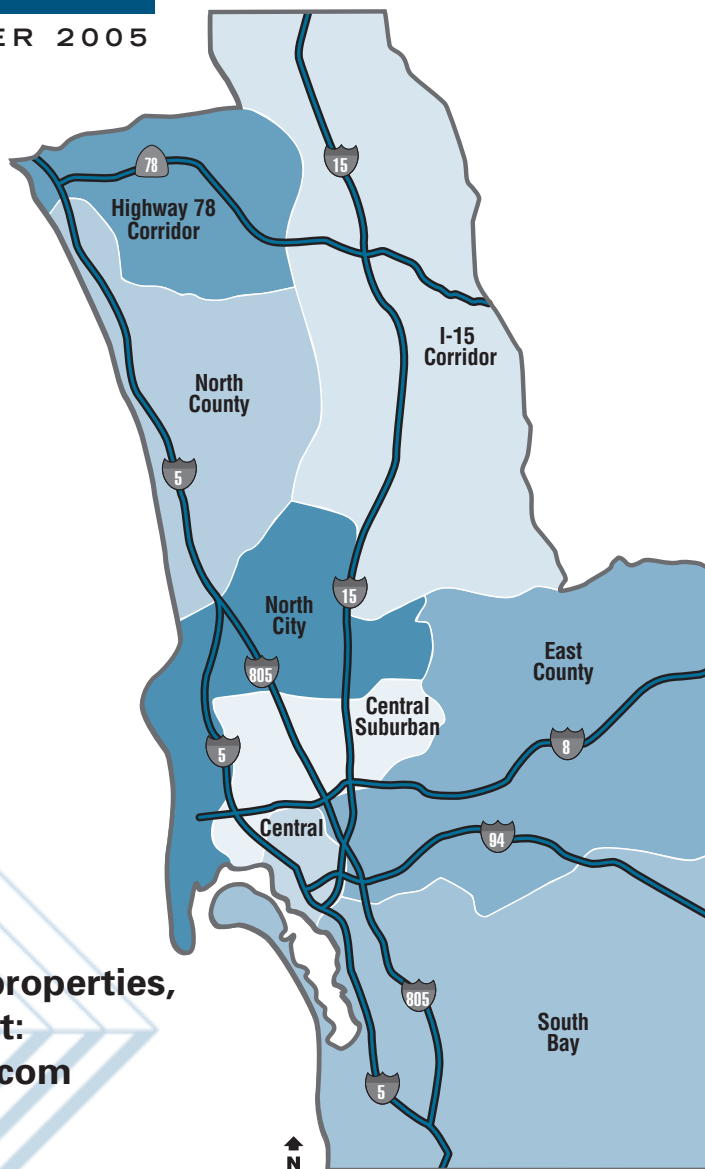
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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