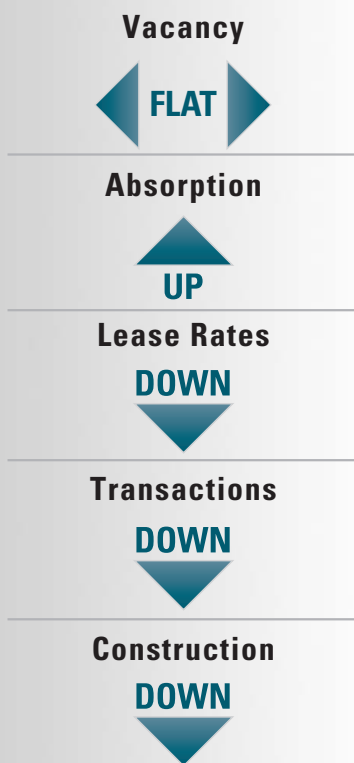




Voit
Real Estate Services

Office Market Report

Compared to last quarter:



Office Market Highlights

- Market Challenges** – Let's just say it's nice to have 2009 behind us as the Office market continues to struggle going into 2010. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing (except SBA owner user), economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the last half of 2009. Another challenge for the Office market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords and owners to attempt to renegotiate loan terms with lenders.
- Absorption** – Net absorption for the county posted a positive 41,262 square feet for the fourth quarter of 2009, giving the office market a total of 693,633 square feet of positive absorption for the year.
- Transaction Activity** – Leasing activity checked in this quarter at 1.3 million square feet. This increase can be attributed to the recent trend of short term deals coupled with lease renegotiations. Sales activity showed an increase over last quarter, posting 379,034 square feet of activity compared to the third quarter's 226,753 square feet. Details of the largest transactions can be found on the back page of this report.
- Unemployment** – The unemployment rate in San Diego County was 10.3% in November 2009, down from a revised 10.7% in October 2009, and above the year ago estimate of 6.9%. This compares with an unadjusted unemployment rate of 12.2% for California and 9.4% for the nation during the same period.
- Employment** – According to the State of California Employment Development Department, San Diego County lost 43,300 payroll jobs over the last twelve months – 9,800 in professional and business services. However, government added 200 new jobs. Between October 2009 and November 2009 San Diego County gained 4,500 jobs.
- Overall** – We are starting to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity during the last half of 2009. In 2010, absorption should remain positive, and with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in leasing activity as many short term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Office market will turn positive.
- Construction** – During 2009, San Diego County added a total of 1.3 million square feet. Over the past four years, over 10 million square feet of new construction has been completed in San Diego County. The record year for new development was 2001, when 3.7 million square feet of new space was added. Total space under construction checked in at 653,613 square feet at the end of the year, which is about half the amount that was under construction this same time last year. The slowdown in construction has and will ease the upward pressure on vacancy going forward.
- Vacancy** – Direct/sublease space (unoccupied) finished the quarter at 16.12%, constituting an increase over last year's rate of 15.72%, and about the same as last quarter when it was 16.15% The lowest vacancy rate in the county can be found in the Central Suburban market, coming in at 10.89%.
- Availability** – Direct/sublease space being marketed was 19.87% this quarter, up from the 18.57% we saw this same quarter last year. This is an increase of 7% of new space being marketed when compared to the same quarter last year.
- Lease Rates** – The average asking Full Service Gross (FSG) lease rate per month per foot in San Diego County is currently \$2.37, which is an 11.57% decrease over last year's rate of \$2.68 and two cents lower than last quarter's rate. The record high rate of \$2.76 was established in the first and second quarter of 2008. Class A rates for the county are averaging \$2.64 FSG, and the highest rates are in the North City market, where rates are averaging \$2.65 FSG.

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com

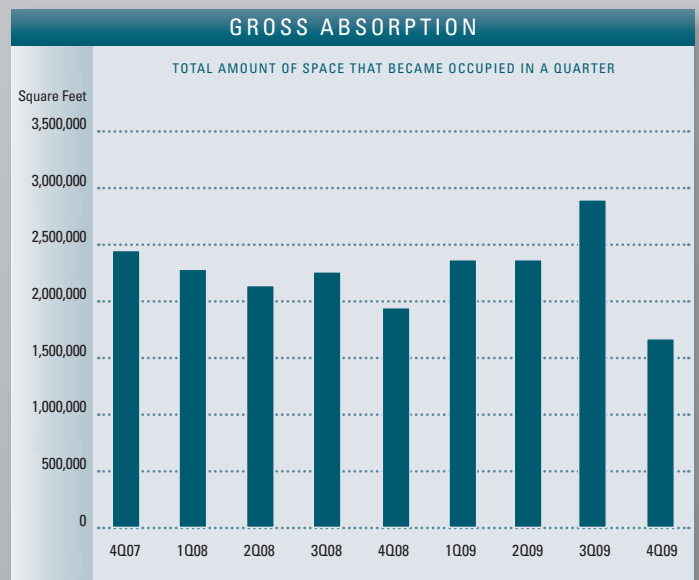
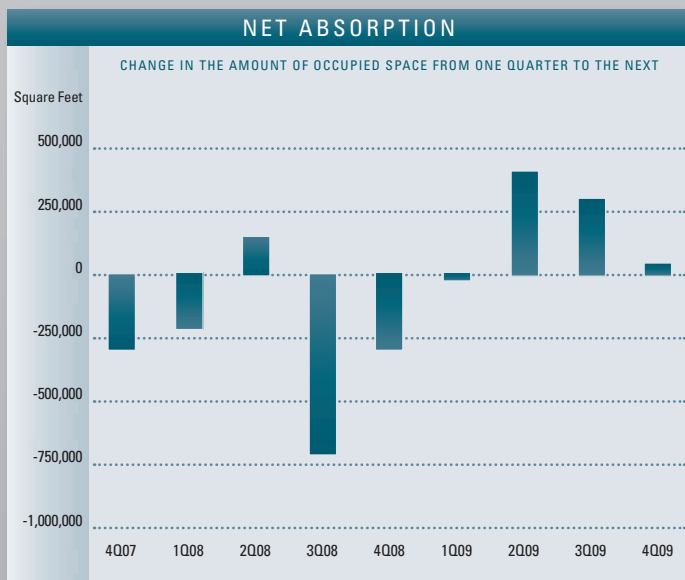
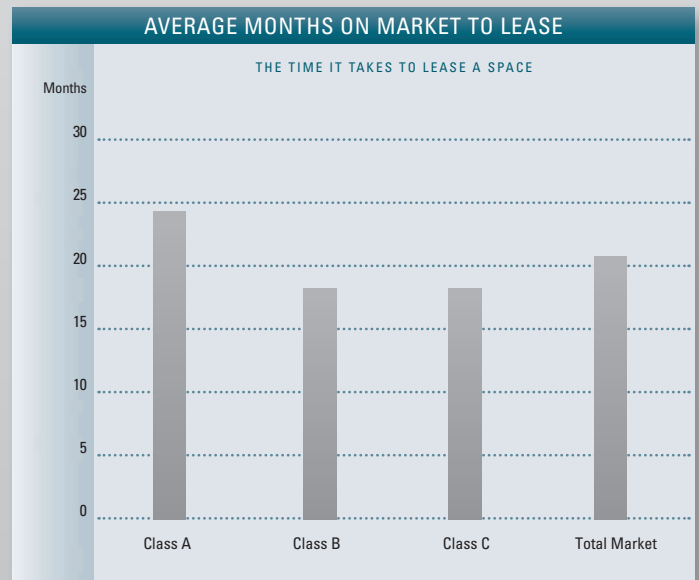
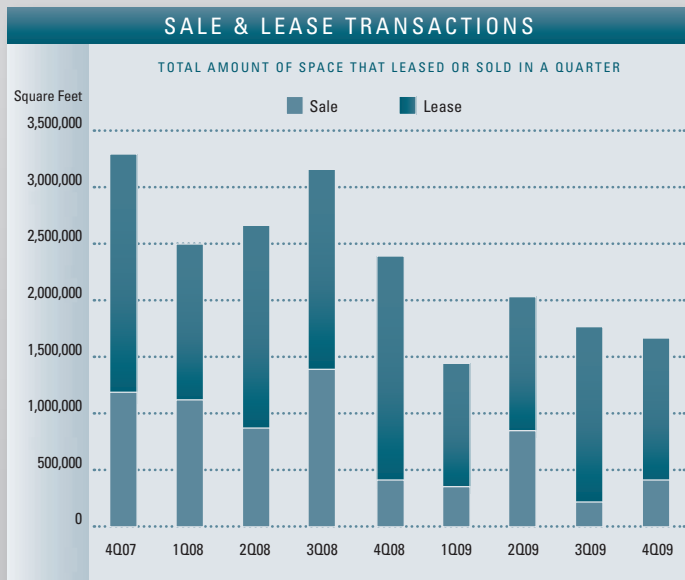
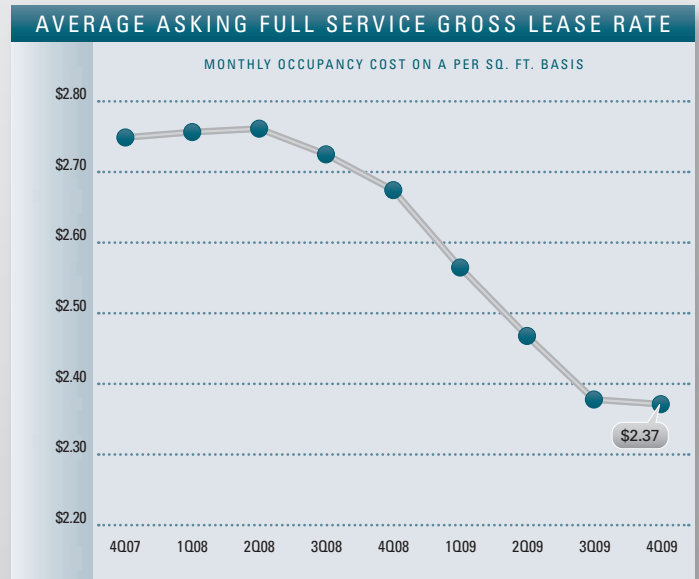
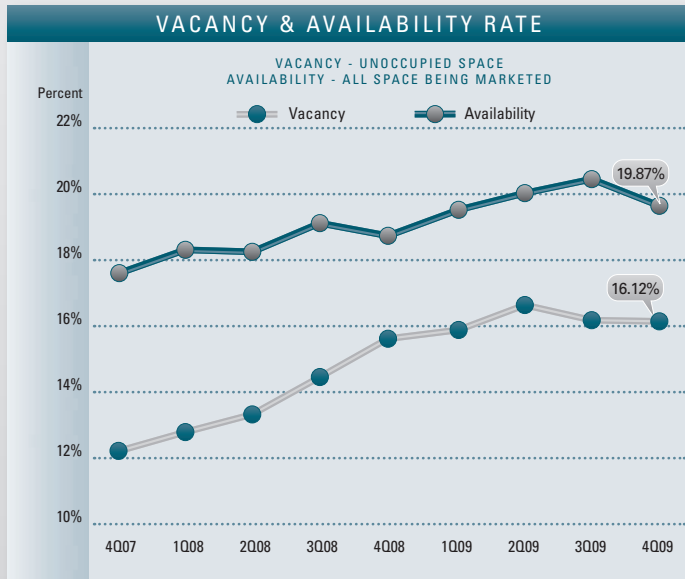
Prepared by:
Jerry J. Holdner, Jr. - Lic.#01145748
 Vice President of Market Research
 VOIT Real Estate Services - Lic.#01333376
 e-mail: jholdner@voitco.com



OFFICE MARKET OVERVIEW

	2009	2008	2007	% CHANGE VS. 2008
Inventory Added	1,319,321	2,722,367	3,420,861	-51.54%
Under Construction	653,613	1,292,707	2,660,123	-49.44%
Vacancy	16.12%	15.72%	12.05%	2.54%
Availability	19.87%	18.57%	17.75%	7.00%
Pricing	\$2.37	\$2.68	\$2.75	-11.57%
Net Absorption	693,633	(1,169,296)	1,640,762	N/A
Gross Activity	9,211,101	8,581,052	10,640,566	7.34%

Real People. Real Solutions.



	INVENTORY					VACANCY & LEASE RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2009	Total Availability 4Q2009	Average Asking Lease Rate	Net Absorption 4Q2009	Net Absorption 2009	Gross Absorption 4Q2009	Gross Absorption 2009
Central												
Downtown	134	12,641,675	40,000	0	1,877,172	14.85%	2,405,633	\$2.47	(75,245)	(62,062)	195,142	879,287
Central Total	134	12,641,675	40,000	0	1,877,172	14.85%	2,405,633	\$2.47	(75,245)	(62,062)	195,142	879,287
Central Suburban												
City Heights/University	56	1,400,760	0	0	84,553	6.04%	109,979	\$1.95	5,830	23,574	10,302	57,942
Kearny Mesa	237	10,242,001	320,300	854,000	1,118,932	10.92%	1,414,388	\$1.77	174,051	816,928	316,580	1,466,606
Mission Gorge	59	1,559,636	0	0	128,999	8.27%	134,999	\$1.41	(6,841)	9,595	10,050	63,947
Mission Valley	123	6,906,516	0	55,000	1,143,950	16.56%	1,478,023	\$2.21	16,815	5,739	174,136	794,906
Old Town	35	1,160,746	0	0	79,126	6.82%	147,888	\$1.97	7,896	(8,851)	13,539	61,425
Point Loma	61	1,787,963	0	0	84,428	4.72%	131,817	\$1.35	4,472	72,374	23,664	232,979
Rose Canyon/Morena	53	1,134,164	11,160	11,397	95,194	8.39%	118,507	\$2.00	(4,192)	(18,803)	19,795	62,644
Uptown/Hillcrest	77	1,947,384	0	0	110,568	5.68%	169,552	\$1.50	8,571	26,776	19,817	82,710
Central Suburban Total	701	26,139,170	331,460	920,397	2,845,750	10.89%	3,705,153	\$1.99	206,602	927,332	587,883	2,823,159
Highway 78 Corridor												
Oceanside	44	893,288	0	492,798	214,925	24.06%	215,715	\$0.00	13,024	310	20,976	51,466
San Marcos/Vista	95	2,556,584	7,426	264,757	528,803	20.68%	588,157	\$1.56	(4,142)	(5,156)	32,943	167,393
Highway 78 Corridor Total	139	3,449,872	7,426	757,555	743,728	21.56%	803,872	\$1.56	8,882	(4,846)	53,919	218,859
I-15 Corridor												
Escondido	72	1,498,845	9,600	87,107	243,642	16.26%	299,186	\$1.62	9,719	(18,306)	23,382	62,428
Poway	31	1,385,049	0	364,570	68,811	4.97%	85,362	\$2.25	(3,053)	(5,336)	11,070	51,464
Rancho Bernardo	109	7,321,603	0	1,037,754	1,600,635	21.86%	1,817,055	\$1.95	56,786	331,751	145,056	1,411,726
Scripps Ranch	46	1,853,617	150,000	480,000	452,696	24.42%	803,680	\$2.31	(4,080)	(6,078)	10,895	199,017
I-15 Corridor Total	258	12,059,114	159,600	1,969,431	2,365,784	19.62%	3,005,283	\$2.07	59,372	302,031	190,403	1,724,635
North City												
Del Mar Heights	67	4,428,799	0	91,256	1,083,857	24.47%	1,098,402	\$3.90	(66,748)	(205,110)	69,017	326,683
Governor Park	19	859,834	0	0	352,814	41.03%	477,516	\$2.30	(9,168)	10,772	14,320	106,890
La Jolla	57	1,699,284	0	0	122,893	7.23%	179,548	\$3.14	(8,509)	(56,989)	21,608	80,379
Miramar	34	1,577,587	0	0	244,789	15.52%	294,788	\$1.82	(11,141)	19,002	29,825	142,506
Sorrento Mesa	129	9,238,444	0	1,438,649	1,724,697	13.67%	2,146,830	\$2.28	10,612	(71,089)	109,832	737,460
Torrey Pines/Sorrento Valley	59	3,776,014	0	0	237,924	12.72%	387,947	\$3.75	(1,219)	62,360	2,107	117,327
UTC Center	91	7,537,050	0	594,097	1,432,833	19.01%	1,806,531	\$2.70	(95,443)	(126,450)	76,765	766,190
North City Total	456	29,117,012	0	2,124,002	5,199,807	17.86%	6,391,562	\$2.65	(181,616)	(367,504)	323,474	2,277,435
North County												
Carlsbad	153	6,087,667	82,127	957,228	1,410,512	23.17%	1,674,542	\$2.27	(35,047)	17,405	129,102	730,191
North Beach Cities	108	2,424,333	33,000	56,000	256,229	10.57%	313,205	\$2.36	51,538	(873)	87,160	217,983
North County Total	261	8,512,000	115,127	1,013,228	1,666,741	19.58%	1,987,747	\$2.29	16,491	16,532	216,262	948,174
South/Southeast Corridor												
East County	126	2,541,750	0	672,000	256,287	10.08%	278,517	\$1.13	5,757	(3,983)	32,570	147,037
South San Diego	119	3,567,134	0	322,953	847,388	23.76%	897,983	\$1.67	1,019	(113,867)	30,268	192,515
South/Southeast Total	245	6,108,884	0	994,953	1,103,675	18.07%	1,176,500	\$1.24	6,776	(117,850)	62,838	339,552
Class A	259	31,211,521	532,127	4,491,530	6,180,292	19.80%	7,181,904	\$2.64	186,540	1,552,097	647,913	4,524,733
Class B	1,152	48,831,740	121,486	3,288,036	8,148,336	16.69%	10,265,426	\$2.06	(146,689)	(739,385)	785,180	3,828,508
Class C	783	17,984,466	0	0	1,474,029	8.20%	2,028,420	\$1.57	1,411	(119,079)	196,828	857,860
San Diego County Total	2,194	98,027,727	653,613	7,779,566	15,802,657	16.12%	19,475,750	\$2.37	41,262	693,633	1,629,921	9,211,101

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

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Class	Sq. Ft.	Sale Price	Buyer	Seller
3030 Science Park Road - 3 Properties	San Diego	A & B	164,091	\$115,654,000	Senior Housing Properties Trust	HRPT Properties Trust
5893 Copley Drive	Kearny Mesa	A	171,684	\$58,080,000	Kaiser Permanente	Sudberry Properties, Inc.
350 Camino De La Reina - 6 Properties	San Diego	B & C	551,437	\$51,200,000	Platinum Equity	Copley Press, Inc.
8306 Century Park Ct. - 3 Properties	Central Suburban	B & C	199,121	\$40,340,000	Menlo Equities	AFL-CIO Building Investment Trust
12625 High Bluff Drive	Del Mar Hts	B	66,820	\$18,000,000	Chinatrust Bank	Fidelity National Title Company

Lease Transactions

Property Address	Submarket	Class	Sq. Ft.	Transaction Date	Tenant	Owner
8620 Spectrum Center St., 10 Floors	Kearny Mesa	A	248,051	March-09	Bridgepoint Education	Sundroad Enterprises
10221 Wateridge Circle	Sorrento Mesa	A	107,356	November-09	American Specialty Health	Wateridge VA, LLC
9389 Waples Street	Sorrento Mesa	A	102,211	May-09	Thermo Fisher Scientific Inc.	Pacific Tech Property, Inc.
525 B Street	Downtown	A	102,020	August-09	Procopio, Cory, H & S, LLP	Hines
10221 Wateridge Circle	Sorrento Mesa	A	81,157	November-09	Healthyroads.com	10201 Wateridge Circle Corporation

Product Type

CLASS A

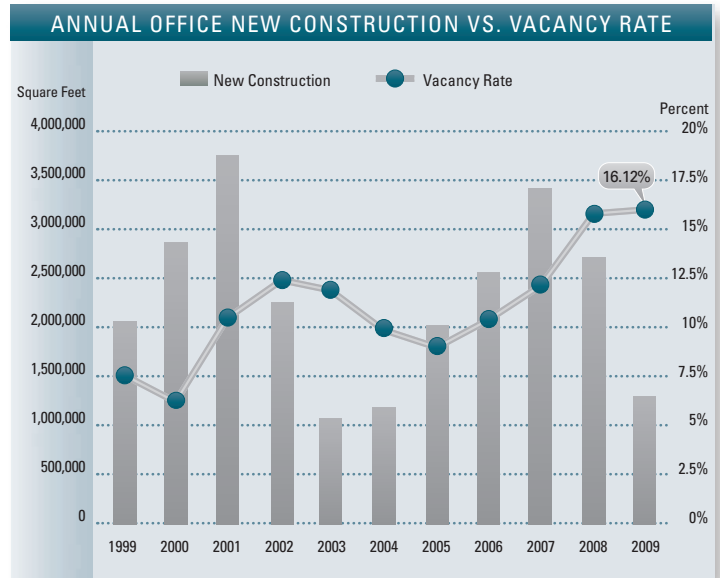
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.



For further information, please contact:

<p>ANAHEIM METRO OFFICE 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p>IRVINE OFFICE 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p>LAS VEGAS OFFICE 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p>NEWPORT BEACH OFFICE 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p>SAN DIEGO OFFICE 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
--------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com



Voit
Real Estate Services
Lic.#01333376



Real People. Real Solutions.

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.