

Quick Stats

	Current	Change from last	
		Yr	Qtr
Vacancy Rate	16.6%	↓	↓
Lease Rate	\$2.08	↑	↓
Net Absorption	154,032	↓	↑
Leasing Activity	1,354,574	↓	↓
Construction	28,941	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- The San Diego County unemployment rate was 9.2% in November, down from 9.7% in October and 10.6% from the same time last year.
- Financial activities reported a month-over increase in November of 100 jobs. Total Nonfarm accounted for the greatest gain with 8,000 jobs.
- Between November 2010 and November 2011, total nonfarm employment increased by 26,600 jobs.
- Educational & Health Services posted the greatest year-over gain, adding 9,100 jobs.

Vacancy rates continued to decline and absorption has been positive for nine consecutive quarters. Over the last five years, San Diego's office employment has declined by 1.6%. However, over the last twelve months office employment has grown by 2.1%. With 8,000 jobs added in November, the unemployment rate dropped to 9.2%, down from 9.7% in October. This marks its lowest rate in over two years. Trade, transportation and utilities reported the greatest month-over gain, adding 4,800 jobs, followed by Educational and Health Services, which added 3,800 jobs.

Leasing activity was slightly lower than the previous quarter, totaling just under 1.36 million square feet. Total net absorption in the fourth quarter was positive 154,032 square feet, a slight decrease from the previous quarter's 168,991 square feet. The overall availability rate was down to 20.1%, a 0.3% decrease from the previous quarter. There was slightly more than 1 million square feet of sublease space available at the end of the fourth quarter.

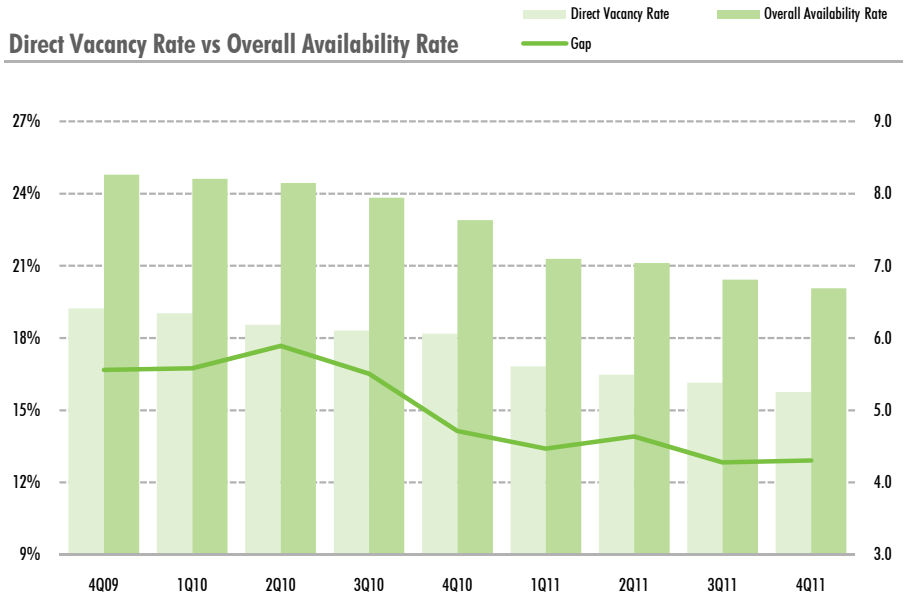
The direct vacancy rate dropped for the ninth straight quarter to 15.8%, down 0.3% from the previous quarter and down 2.4% from the same time last year. The overall vacancy rate experienced a similar trend, posting another decrease to 16.6%, a 2.5% decrease from the same time last year.

The submarkets with the largest positive net absorption were Mission Valley, Carlsbad and UTC; which produced a combined positive net absorption of just over 195,500 square feet.

Lease rates fell slightly to an overall weighted average asking rate of \$2.08 FSG. Class A asking rates showed an increase, up two cents to \$2.54 FSG. Class B remained the same at \$1.94 FSG and Class C rent decreased three cents from the previous quarter to \$1.54 FSG.

According to CBRE Econometric Advisors, "the short-term forecast calls for overall positive growth in office workers through year-end 2012."

Direct Vacancy Rate vs Overall Availability Rate

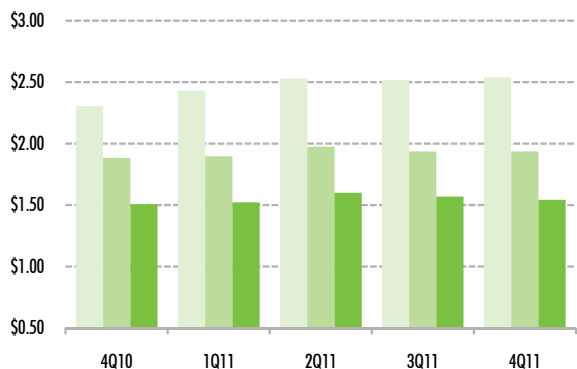


Market Statistics (Class A,B,C)

Submarket	RBA	Direct Vacancy Rate	Overall Vacancy Rate	Overall Avail Rate	Construction Deliveries	Under Construction	Avg Asking Lease	Net Absorption	Leasing Activity	YTD Construction Deliveries	YTD Net Absorption	YTD Leasing Activity
Downtown	11,587,761	17.7%	18.3%	21.7%	0	0	\$2.24	(77,591)	265,485	0	35,663	909,290
South San Diego	2,331,812	27.4%	27.5%	28.8%	0	0	\$1.62	12,683	35,059	0	17,863	188,057
Mission Gorge	889,280	12.0%	12.4%	12.7%	0	0	\$1.37	(7,577)	26,471	0	(27,247)	67,157
East County	1,990,397	11.8%	11.9%	13.3%	0	0	\$1.54	2,840	14,121	0	(22,179)	73,958
Del Mar Heights	4,396,895	13.4%	17.8%	21.1%	0	0	\$3.29	(15,755)	52,497	0	21,188	479,394
Governor Park	588,278	7.9%	8.1%	14.2%	0	0	\$2.02	2,256	5,620	0	67,690	82,782
56 Corridor	937,242	1.8%	1.8%	1.8%	0	0	\$3.23	3,267	3,267	0	(2,931)	14,563
Kearny Mesa	6,828,929	13.2%	13.6%	16.0%	0	0	\$1.73	(28,730)	138,156	0	(95,683)	445,349
La Jolla	1,207,217	8.5%	10.1%	15.2%	0	0	\$2.77	(8,924)	12,555	0	(1,826)	75,402
Miramar	800,804	25.2%	25.9%	30.3%	0	0	\$1.60	(16,770)	6,919	0	(16,788)	27,526
Mission Valley	6,281,800	13.3%	13.6%	18.8%	0	0	\$2.02	84,608	161,734	0	198,684	676,307
Old Town/5th Ave	893,939	7.7%	7.7%	11.2%	0	0	\$2.03	4,985	15,964	0	(5,682)	53,290
PB/Rose Cnyn/Morena	732,958	9.0%	9.6%	10.3%	0	0	\$1.59	10,852	19,065	0	(3,937)	56,135
RB/Poway	2,633,033	17.1%	17.8%	20.8%	0	0	\$1.80	(10,292)	42,521	0	10,097	253,114
Scripps Ranch	1,370,784	26.8%	26.8%	27.9%	0	0	\$1.98	27,623	38,133	0	106,790	142,627
Sorrento Mesa	4,569,130	9.8%	11.0%	14.6%	0	0	\$1.88	38,975	89,077	0	83,118	402,378
Sorrento Valley	495,616	10.5%	10.5%	10.7%	0	0	\$1.72	5,167	5,167	0	10,371	25,251
Sports Arena/Pt Loma	1,143,428	11.0%	11.8%	14.6%	0	0	\$1.57	561	12,075	0	(88,101)	71,335
Torrey Pines	940,512	8.8%	11.2%	22.4%	0	0	\$3.75	12,908	17,467	0	10,010	21,042
UTC	4,279,997	15.7%	16.6%	20.9%	0	0	\$2.54	51,297	136,511	0	256,081	553,807
Carlsbad	4,478,390	22.3%	23.6%	28.4%	0	0	\$2.10	59,625	118,722	0	224,135	562,403
Escondido	1,047,639	19.1%	19.7%	22.6%	0	0	\$1.87	1,747	11,804	0	14,952	58,428
North Beach Cities	1,614,818	9.7%	9.8%	15.4%	0	28,941	\$2.57	2,265	23,970	3,887	39,144	179,309
Oceanside	570,685	24.1%	24.8%	25.3%	0	0	\$1.63	(13,060)	8,588	0	(13,452)	28,975
San Marcos	865,365	22.4%	24.3%	25.8%	0	0	\$1.95	(13,413)	15,596	0	41,380	132,677
Vista	583,547	20.9%	20.9%	23.2%	0	0	\$1.47	(4,841)	946	0	(4,308)	43,586
SW Riverside County	2,574,958	24.7%	24.8%	28.1%	0	0	\$1.39	29,326	77,084	0	52,284	239,044
San Diego Totals	66,635,214	15.8%	16.6%	20.1%	0	28,941	\$2.08	154,032	1,354,574	3,887	907,316	5,863,186
<i>Class A</i>	<i>26,121,859</i>	<i>13.4%</i>	<i>14.9%</i>	<i>17.9%</i>	<i>0</i>	<i>28,941</i>	<i>\$2.54</i>	<i>245,858</i>	<i>633,420</i>	<i>0</i>	<i>779,446</i>	<i>2,416,524</i>
<i>Class B</i>	<i>26,365,039</i>	<i>19.2%</i>	<i>19.8%</i>	<i>23.8%</i>	<i>0</i>	<i>0</i>	<i>\$1.94</i>	<i>(59,378)</i>	<i>496,508</i>	<i>3,887</i>	<i>143,259</i>	<i>2,344,358</i>
<i>Class C</i>	<i>14,148,316</i>	<i>13.7%</i>	<i>13.8%</i>	<i>17.0%</i>	<i>0</i>	<i>0</i>	<i>\$1.54</i>	<i>(32,448)</i>	<i>224,646</i>	<i>0</i>	<i>(15,389)</i>	<i>1,102,304</i>

Average Asking Lease Rates

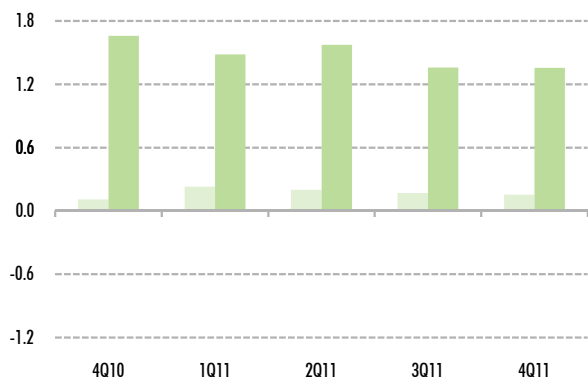
Class A
Class B
Class C



The weighted average asking lease rate for office space decreased during the fourth quarter to \$2.08 FSG. Class A rates posted a two-cent increase from last quarter to \$2.54 FSG. Class B remained unchanged at \$1.94 FSG. However, Class C decreased to \$1.54 FSG, down three cents from last quarter. Class A space had the highest average asking lease rate of \$2.54 FSG, a twenty-three cent increase from the same time last year. Class B space had the second highest asking rent with \$1.94 FSG, a five-cent increase from the fourth quarter 2010. Class C space had an average asking lease rate of \$1.54 FSG, a three-cent increase from the same time last year.

Net Absorption vs. Leasing Activity

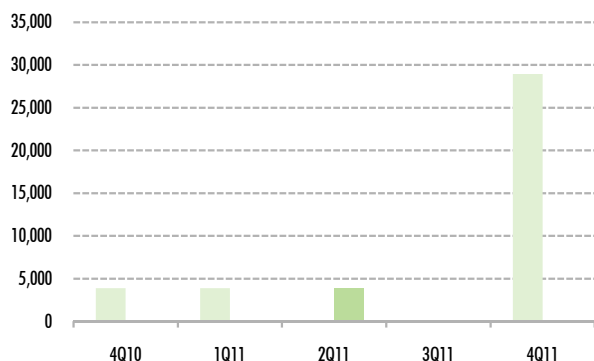
Net Absorption
Leasing Activity



The fourth quarter posted a positive net absorption of 154,032 square feet. Slightly less than the previous quarter (168,991 sf); it marked the ninth consecutive quarter of positive growth. The positive activity was largely influenced by SKLZ/PPS subleasing 150,159 square feet in Carlsbad, California College leasing 40,000 square feet in Kearny Mesa, and Marks, Golia & Finch leasing 24,111 square feet in UTC. Overall, 17 of the 27 submarkets had positive net absorption for the quarter.

Construction Activity

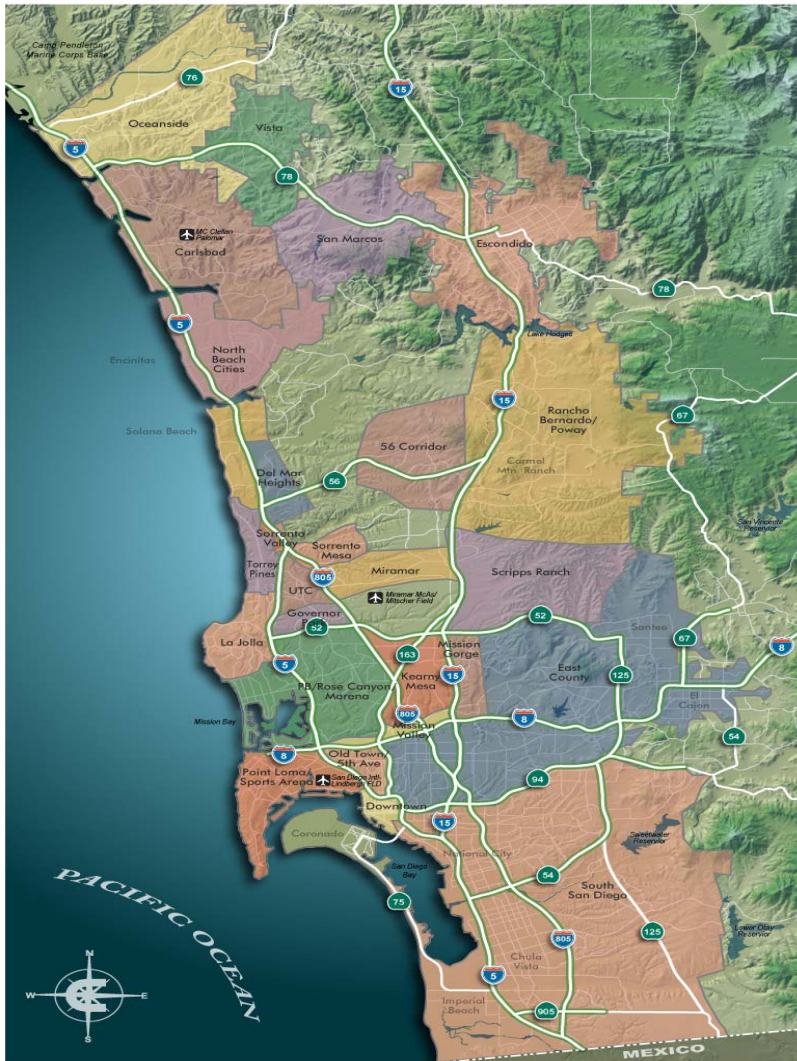
Under Construction
Deliveries



Construction activity has increased, especially for government and medical buildings. The Flower Hill Professional Center has broken ground in the North Beach Cities, which will consist of 28,941 square feet of office space above the new Whole Foods market. Additional projects that are under construction but are not A, B, or C buildings include, the County of San Diego Operations Center in Kearny Mesa with over 573,000 square feet underway, the 102,000 square foot Scripps Proton Therapy Center in Sorrento Mesa, a 71,000 square foot medical building in San Marcos, the 250,000 square foot FBI building in Sorrento Mesa, the 45,000 square foot Sharp Makena Center in South San Diego and the Sharp Rees-Stealy building, a 66,365 square foot medical building in Old Town/5th Ave

* Only includes single tenant and multi-tenant office space. It does not include medical office or owner-user office buildings

Submarket Map



AVERAGE ASKING LEASE RATE

Rate determined by adjusting quoted rents to a full service gross rate then multiplying the asking lease rate for each building by its vacant space, summing the products, then dividing by the sum of the vacant space with leases for all buildings in the summary.

GROSS LEASES

Includes all lease types whereby the Landlord assumes responsibility for most, or all, of the operating expenses and taxes for the property.

MARKET COVERAGE

Includes all multi-tenant office buildings 10,000 square feet and greater in size excluding government, medical and single-tenant owner user buildings.

NET ABSORPTION

The change in occupied square feet from one period to the next.

RENTABLE BUILDING AREA (RBA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

DIRECT VACANCY RATE

Available building area which is physically vacant offered directly through the landlord, divided by the total rentable building area.

OVERALL VACANCY RATE

Available building area which is physically vacant offered directly through the landlord OR via sublessor, divided by the total rentable building area.

OVERALL AVAILABILITY RATE

Available building area which is either physically vacant OR occupied and available for lease (including space offered directly through the landlord OR via sublessor), divided by the total rentable building area.

NORMALIZATION

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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