



San Diego, California

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The forecast for 2012 in San Diego County indicates sluggish growth of approximately 1.8%. 35% of the jobs lost between 2007 and 2009 have been offset by increased employment between 2010 and 2011. Another 20% of the total jobs lost are anticipated to be added in 2012. Onerous taxes and a draconian regulatory environment are limiting job growth to the relatively low-skilled and lower pay grade jobs. The unemployment rate hit its lowest mark in 2011 in December, down to 9.2% as compared to 10.6% a year ago. Vacancy rates increased slightly (1.3%) in the CBD and remained fairly static in the suburban office markets. While average rental rates have increased slightly in class A space in the CBD, average rental rates have dropped slightly or not changed in each other specialty reported.

Market Trends

- Demand calculated by the number of transactions remains flat, although some large transactions accounted for considerable square footage absorption.
- The lack of new construction has reduced the options for tenant requirements over 40,000 SF.
- Landlords are well aware of the lack of optimism for the 2012 San Diego economy.
- While interest rates in the capital markets arena remain appetizing, lending requirements are often times paralyzing.

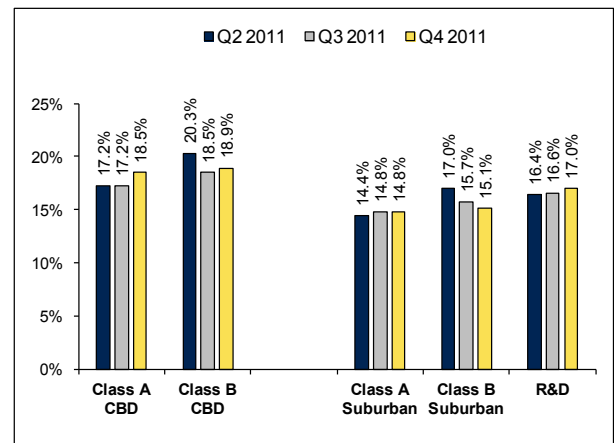
Tenant's Perspective

Tenants continue to hold the upper hand in lease negotiations. It is imperative for tenants to know the financial status of their current landlords as it is expected that foreclosures on commercial real estate properties will increase in 2012. It is imperative that leases include non-disturbance language to ensure that occupancy rights will not be affected in the event of a foreclosure. Tenants should also be aware of their landlord's finance situation to understand their leverage on lease negotiations. If a landlord needs to refinance in the near future, it would behoove the landlord to negotiate a long-term commitment from their tenants. This long-term commitment should then be at very attractive terms for the tenants. Cresa can provide tenants all of the information necessary to know their circumstances.

Major Transactions

| Tenant/Buyer | Size | Type | Lease/Sale |
|----------------------|---------|------------|------------|
| LPL Financial | 414,575 | Office | Lease |
| Celegene | 192,832 | Biotech | Lease |
| Soitec USA Inc | 165,600 | Industrial | Sale |
| SKLZ | 150,159 | Industrial | Lease |
| Floor & Décor Outlet | 88,617 | Industrial | Lease |
| General Atomics | 76,631 | Industrial | Sale |
| Cytori Therapeutics | 60,118 | Biotech | Lease |
| Huawei Technologies | 49,600 | Office | Lease |
| Bank of Internet | 43,666 | Office | Lease |
| California College | 39,381 | Office | Lease |

Vacancy Rate



Average Rental Rates

| CBD | Q2 2011 | Q3 2011 | Q4 2011 |
|----------------|---------|---------|---------|
| Class A Office | \$28.56 | \$27.96 | \$28.08 |
| Class B Office | \$25.44 | \$25.44 | \$23.52 |
| Suburban | Q2 2011 | Q3 2011 | Q4 2011 |
| Class A Office | \$30.60 | \$30.96 | \$30.84 |
| Class B Office | \$24.72 | \$24.36 | \$24.12 |
| R&D | \$12.72 | \$12.84 | \$12.84 |

